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*Virginia Commonwealth University*

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THE CONSIDERATIONS OF THE SUPERINTENDENT IN THE DEVELOPMENT OF THE  
SCHOOL BUDGET DURING TIMES OF FISCAL CONSTRAINT: A CASE STUDY

A dissertation submitted in partial fulfillment of the requirements for the degree of  
Doctor of Philosophy at Virginia Commonwealth University

by

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Richmond, Virginia  
December, 2012

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I want to leave a final message to people who are thinking about going through the process of earning a doctorate. It is a worthwhile, fulfilling journey. It is not easy, but if you stick with it, you will get there. You have to stay positive and always look for that light at the end of the tunnel.

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## **Abstract**

### **THE CONSIDERATIONS OF THE SUPERITENDENT IN THE DEVELOPMENT OF THE SCHOOL BUDGET DURING TIMES OF FISCAL CONSTRAINT: A CASE STUDY**

Jeffrey R. Witt, Ph.D.

A dissertation submitted in partial fulfillment of the requirements for the degree of  
Doctor of Philosophy at Virginia Commonwealth University

Virginia Commonwealth University, 2012

Director: Dr. Charol Shakeshaft  
Department of Educational Leadership  
School of Education

John Smith is the superintendent of Green Hill Public Schools. This case study follows John through the whole budget process from July 2011 to July 2012. An interpretative perspective was used to tell his story. Ten interviews were given from October 2011 to July 2012. Newspaper articles and the minutes from meetings were analyzed and used as discussion items in the interview questions. This study was an analysis of how he made his budget decisions in a time of fiscal constraint and the role values played in the budget decision making.

The budget year started out normal with John doing an analysis of the 2011/2012 budget during the month of July. A hurricane hit in August and it delayed the school year. The Governor's budget was released in December and it caused the school division to scramble to figure how to cover the VRS and health insurance increase which amounted to \$1.8 million. The

budget from the General Assembly was delayed until April it confirmed that the VRS increase was to be implemented. The school division looked to the Board of Supervisors to fund \$1.8 million. The Board of Supervisors claimed they did not have the money so a tense negotiation occurred. The school division ended up receiving \$1.277 million from the Board of Supervisors.

This study looked at the decision making process of the superintendent during a time of fiscal constraint. John had a budget team that he worked with that help him with this decision making. John had to display flexibility throughout the budget as unexpected expenses occurred during the process and deadlines were not followed. Values were used by John during his decision making. The first value was his compliance with the rules. He believed that the Standards of Quality dictated his decision making. The second value was keeping the quality of education high. John valued protecting the quality of education for the students. The third value was relationships and trust. This budget process was tense and many relationships were damaged during the process. The final value was transparency. John believed in a budget process that was open so the public could see what was going on.

## **Chapter 1: Introduction**

### **Introduction**

Sudden changes in the economy can have an impact on the functioning of a school division. A recession hit the United States in 2008 and there was a reduction in funds available for school budgets (Salmon, 2010). Nevertheless, school divisions still had to produce a budget that met the needs of the students. As the leader of the school division, the superintendent must take responsibility for producing the budget (Carlson & Eller, 2009; Dlugosh, Norton, Sybouts, & Webb, 1996; Edwards, 2007). Determining what gets cut in the budget during times of fiscal constraint is one of the responsibilities of the superintendent.

### **A Description of How Schools are Funded in Virginia**

School divisions in Virginia are fiscally dependent on the local, state, and federal governments for money. The school divisions do not have taxing authority in Virginia unlike the majority of other states (Johnson, 2009). Instead, Virginia uses the Standards of Quality as a framework upon which the funding is built. According to Virginia Constitution, article VIII, § 2,

Standards of Quality for the several school divisions shall be determined and prescribed from time to time by the Board of Education, subject to revision only by the General Assembly. The General Assembly shall determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed

standards of quality, and shall provide for the apportionment of the cost of such program between the Commonwealth and the local units of government comprising such school divisions. Each unit of local government shall provide its portion of such cost by local taxes or from other available funds.

Since this study took place in Virginia, it was logical to have an understanding of how Virginia schools were funded. That provided a foundation for examining local budget constraints. In 1971 the General Assembly implemented a new funding formula called Basic State Aid in Virginia because of the formation of the Standards of Quality. Basic State Aid constitutes the minimum foundation program that funds schools. In addition, the Local Composite Index (LCI) was formed to determine the fiscal capacity of a locality and the proportion of state to local funds necessary to provide an adequate education (Salmon, 2010). The LCI is computed through the use of mathematical algorithms in which property values are weighted by 50%, taxable income is weighted by 40%, and retail sales taxes are weighted by 10% (Salmon, 2010; Virginia Department, 2011).

### **Purpose of the Study**

The purpose of this study was to understand the budget decisions of one superintendent during times of fiscal constraint and the roles that personal preferences and values play in decision making. Budgets are important documents because new policies can be formed from the budget process. It is important to recognize that there are limited studies that analyze how superintendents make decisions in the budget during times of fiscal constraint. This study utilized a qualitative case study method to explore the budgetary decision making of a superintendent in a rural school division in Virginia.

## **Research Questions**

1. How does a superintendent formulate budget decisions during times of fiscal constraint?
2. What role does the superintendent's value system play in the decision making process for formulating the school budget in times of fiscal constraint?

## **Methodology**

A qualitative case-study was used for this study because the focus was one superintendent. An interpretive perspective of research was used with this study because I interpreted the responses given to me from the interviews with the superintendent. I also reviewed newspaper articles and minutes from School Board and Board of Supervisors meetings. I asked the superintendent to give me his perspective on the articles and the meetings. The interviews were semi-structured in that I went into the interview with an interview guide but follow up questions were used based on the responses from the superintendent.

Safeguards were put in place to protect the identity of the superintendent and the school division. The school division was given the pseudonym of Green Hill County Schools and the superintendent was given the pseudonym of John Smith. Any time a document or a quote was used that may expose the identity of the school division or the superintendent, the name was changed according to the pseudonym.

## **Rational and Justification**

A review of the literature showed that the superintendent generally works with a budget team to create a budget for the school division. The School Board is responsible for managing the money from the school division. The local governing body for the locality appropriates the money for the school division. So, many people work together to formulate the budget for the



school division. Ultimately, the superintendent is the leader in the budget process and presents the budget to the School Board and the Board of Supervisors. Values do play a role in the decision making process. The research on how superintendents make budget decisions during recessions is limited. This study was meant to add to that research and look at one superintendent in a rural school division and how he made budget decisions during a recession. It was not meant to generalize the budget decisions by other superintendents in other school divisions.

The justification for this study was that budget decisions by a superintendent affect many people, employees in the school division and the community as a whole. It was my experience that many people are not educated in the budget process along with how a superintendent makes his or her decisions. I wanted this study to provide some insight into the budget process from the superintendent's perspective. This was a very challenging budget year for Green Hill County Schools. The Virginia Retirement System (VRS) and health insurance increase caused a number of problems for the school division and the local Board of Supervisors. It is my hope that lessons learned from this study will help other school divisions manage their budget when facing similar challenges.

### **Assumptions**

This study featured a number of assumptions from me. First, I assumed that the budget process would be completed by April. That did not happen as the battle between the school division and the Board of Supervisors over money caused the adoption of the budget to be delayed until July. This was the latest that a budget had been adopted in John's three years as superintendent.

A second assumption was that John's values would be in line with the values of the school division. John did feel it is important for his values to be in line with the values of the school division. In this study, the values of John and the School Board were mostly connected. There were only a couple of instances where there were disagreements between John and the School Board.

A third assumption was that I could have the superintendent open up to me about the budget process. There was never a question that he refused to answer for me. He was given that option before every interview. He was very thorough with his answers and wanted to do anything he could to help me complete this study. I believe that he provided me answers in the interviews that have helped me craft a study that enhances the research on this topic.

### **Limitations**

There were limitations to this study that I had to overcome. Those limitations were: (1) my previous relationship with the superintendent; (2) the superintendent may be uncooperative; (3) my strength as an interviewer. The superintendent was never uncooperative in this study and I do not feel that my previous relationship with him hampered me in asking him questions. This was my first major study as a qualitative researcher, but I had a strong dissertation committee and they helped me in overcoming that inexperience.

### **Definitions**

1. Division Superintendent – Executive leader of the school division that has been appointed by the School Board (Virginia Code §22.1-60). John Smith was appointed superintendent for Green Hill Public Schools by the School Board in August, 2009.

2. Fiscal Constraint – A limitation on how much money is available to the school division to use in the budget (Ladd, 1997). Green Hill Public Schools was in a period of fiscal constraint as the funds available to them were reduced from previous years.
3. School Board – A committee of members who oversee the operations of the school division (Virginia Code §22.1-28). The members may be elected or appointed. The qualifications are that the members must be a registered voter and live in the district that he or she is representing (Virginia Code § 22.1-29). The School Board in Green Hill County Schools consists of five members and they are all elected officials.
4. School Budget – A document that displays the educational services that the school division provides along with the expenditures for the services and the estimate of the revenues that will be used to pay those expenditures (Hartman, 1988). John worked with a budget team along with the School Board to prepare this budget. This budget caused an extensive battle with the Board of Supervisors throughout the months of April, May, and June because of the VRS and health insurance increases.
5. School Division<sup>1</sup> – A geographical area determined by the state Board of Education that will meet the needs of the school aged children and meet the needs of the Standards of Quality (Virginia Constitution art. VIII § 5). Green Hill Public Schools is in a rural county in Virginia. The school division consists of five elementary schools, one middle school, and two intermediate schools.
6. Retrenchment – A period of time in which the resources available to students in the school division are declining (Cohen & Duke, 1983; Scott, 2010). It was clear in the budget for Green Hill Public Schools that the school division was still in a period of retrenchment with all of the cuts being made.

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<sup>1</sup> In Virginia, division is used instead of district

7. Values - The ideas and beliefs that help guide our decisions in life (Ciulla, 2004).

## **Chapter 2: Literature Review**

### **Introduction**

The education budget is an important part of the education system as it informs the community of how the revenue is going to be spent. There are times when a school division is doing well financially, and there are times when budgets are constrained. During times of recession, money is constrained. A superintendent must be able to competently formulate a budget and provide recommendations to the board, no matter what the fiscal context (Dlugosh et al., 1996). The superintendent also must navigate through his or her values when forming the budget.

### **Search Method**

The literature reviewed for this study was obtained through the use of the internet and research at the local library. Sources included peer-reviewed journals, books, reports presented at conferences, online newspapers, and magazine articles. Resources also were available to me through previous work on this topic while in the Doctorate of Educational Leadership program at Virginia Commonwealth University.

I searched for this literature through the use of Google, Google Scholar, EBSCO, ERIC, and the VCU Library website. Keywords utilized were superintendent, budget, recession, public school budget decisions, public school budget during a recession, values, superintendent values, values for decision making, decisions during times of fiscal constraint in education, decisions during times of recession in education, public schools during the depression, decision making

models, superintendent decision making, budgeting approach, Virginia public school funding, Standards of Quality, CEO values, and CEO budgets during fiscal constraint. I also found valuable resources through communication with scholars, who provided me with resources on this topic, and a thorough search of footnotes and reference lists of valuable resources.

I determined what to exclude in the study based on its relevance to the study. Relevance was determined by its connection to budgets and values. I reviewed 160 articles spanning the time-period of 1930-2011. I attributed greater value to scholarly journal articles. I did include non-scholarly references because they offered valuable information to the study and gave some perspective to the 2008 recession. While some resources used are not from the field of education, I excluded many resources because they were not closely tied to education. The non-educational articles were chosen because they helped to add context to how leaders in other professions make decisions during times of fiscal constraint.

## **The Superintendent and the Budget Process**

### **Responsibilities of the superintendent.**

The role of the superintendent in the budget process can be found in the Virginia code. In Virginia, each school division must have a division superintendent (Code of Virginia §22.1-58). Virginia Code § 22.1-89 states that the School Board is ultimately in control of the funds for the school division. Virginia Code § 22.1-70 gives the School Board the right to designate duties to the superintendent. Virginia Code §22.1-92 and §15.2-2503 indicate that the superintendent must work with the School Board to prepare the budget for the public school division and present it to the board for the locality that is responsible for appropriating the funds by the first day of April. Although the School Board is ultimately responsible for the budget, it is the superintendent who has oversight for the preparation and implementation of the budget.

Therefore, the superintendent plays an important part in the budget process (Dlott, 2007; Dlugosh et al., 1996; Edwards, 2007).

### **The budget team.**

The School Board depends upon the superintendent to carry out budgetary policies, and the superintendent works with others in the division to build the budget. In school divisions with fewer than 2000 students, the superintendent often doubles as the business manager; in larger school divisions, superintendents work with business managers and/or assistant superintendents in managing the finances of the division (Kowalski, 1999). Regardless of division size and the availability of financial specialists, the superintendent still needs to have the financial knowledge to oversee the budgetary process. Moreover, the public and the School Board expect that the superintendent has the financial knowledge or is able to find ways to obtain it (Kowalski, 1999).

An effective budget process is highly organized and generally involves a team of people whom the superintendent trusts to help formulate the budget (Dlugosh et al., 1996; Edwards, 2007). The superintendent organizes meetings that will bring together people who are vital to the budget process. The goals and calendar for the budget must be articulated in these meetings so that people understand what their roles are in the process along with deadlines on when items need to be completed (Hartman, 1988; Ridler & Shockley, 1989).

The budget requests from the schools in the school divisions are aggregated into the division budget, along with requirements from other departments and groups. The superintendent works with his or her team and the School Board to determine the needs for the school division, to construct and organize the goals and objectives for the school division, and to develop a budget that meets those objectives and goals (Brimley, Burrup, & Garfield, 1996; Kowalski, 1999). The superintendent then presents the budget to the School Board for approval

(Herman & Herman, 1997). The final step is that the budget is then presented to the local Board of Supervisors or City Council. If the School Board, Board of Supervisors, or City Council rejects the budget, the process starts again. Rejection of a budget can be seen as a personal defeat for the superintendent (Herman & Herman, 1997).

### **The budget process and unexpected expenses.**

The budget process is not always linear and predictable. The budget itself consists of programs that are planned for the future, the amount of revenues that are anticipated, and the amount of expenditures that are expected (Kowalski, 1999). A problem is that revenues can change unexpectedly from year to year and during the fiscal year. The superintendent may not be able to accurately predict what will happen throughout the whole school year. Costs for items and services may increase or decrease. The superintendent needs to be careful that there is not a large shortfall or surplus in the budget because the community may view the superintendent as not being able to effectively handle a budget (Kaplan & Owings, 2006).

The school division may elect to have a contingency line item in the budget for unexpected expenses. A contingency fund can also have a negative impact in the community because the community may see this fund as having extra money in the budget that can be used elsewhere in the school division (Kaplan & Owings, 2006). The superintendent may hide the contingency fund in the budget by purposely overestimating line items. This contingency fund will give the superintendent the extra money to manage these unexpected expenses (Kaplan & Owings, 2006). This procedure of overestimating may be seen as being unethical by some people because it may appear that the superintendent is not being honest about having a contingency plan in the budget. The superintendent will have to make a decision on the best way to have extra money available when unexpected expenses arise (Kaplan & Owings, 2006).



However, the contingency fund is generally designed to help offset unexpected expenses thus helping the school division run smoothly (Dixon, 1991).

In summary, the preparation of the budget is a process and the superintendent must be a leader in that process (Herman & Herman, 1997). The superintendent generally works with a team who helps him or her in the formation of the budget (Dlugosh et al., 1996; Edwards, 2007). The size of the school division can affect the part the superintendent plays in the budget team (Kowalski, 1999). Regardless of the role, the superintendent needs to make sure that there are no problems with the budget because he or she is ultimately the one who is responsible for the budget (Dlugosh et al., 1996; Edwards, 2007). While the budget identifies what is important to the division, it also represents the values of the budget team and the superintendent.

## **Values**

### **What are values?.**

Values are defined as the ideas and beliefs that help guide our decisions in life (Ciulla, 2004). Values influence the decisions of superintendents either directly or indirectly, consciously, or subconsciously (Hodgkinson, 1996). According to Bumenfeld (1991), a superintendent cannot be value neutral when making decisions because a person is only value neutral when he or she is dead. It can be hard for a third party to analyze how values influence decisions because values are invisible and that is what makes them different from facts. Facts can be verified publicly, but values are internal and held close to a person's heart (Begley, 1999; Ciulla, 2004; Hodgkinson, 1996). Although acknowledging the challenge of studying values, it is not impossible to study values. A thorough examination of values can help us understand the motives behind a person's actions (Begley, 1999).

### **Values-Based leadership.**

Research on superintendents and how values guide their decisions is very limited. Therefore, I have turned to literature that helps me understand the role of values of people in leadership positions. Ciulla (2004) indicates that all leadership is driven by values, and several research studies (e.g., Blanchard, Converse, & Despain, 2003; Kuczmarski & Kuczmarski, 1995; Majer, 2004; O'Toole, 1995) support the need for values-based leadership as a way to provide effective leadership for an organization. Not all values promote effective leadership though, and a leader will want to have honesty and integrity as the basis for his or her personal value structure (Carlson & Perrew, 1995; Hood, 2003; Kirkpatrick & Locke, 1991). These values will help promote a formal code of ethics within the organization, thus improving the effectiveness of the leader (Hood, 2003).

Leithwood and Steinbach (1995) found that superintendent decision making is guided by basic human values, general moral values, professional values, and social and political values. The three values that influence superintendent decision making the most are (a) the responsibilities associated with being a leader, (b) fairness, and (c) the consequences for the immediate stakeholders in the school division (Leithwood & Steinbach, 1995). While these educational leaders have many individual values that help guide decision making, they are the leaders to a group of employees and must navigate the various values that exist among the employees.

### **Connection between individual values and group values.**

When analyzing values in leadership, it is important to understand that a relationship exists between personal-based values and group-based values (Kluckhorn, 1962). The connection between personal and group based values is important because a school division is

going to want to find a superintendent who fits into the value structure. Organizations, such as a school division, are formed by people who have “a similar set of values, beliefs, priorities, experiences, and traditions” (Razik & Swanson, 2001, p. 366). Decisions tend to be more useful to the organization when the decision makers and organizations have similar values (Drake, 1973; Rokeach, 1979). Many critical and important decisions have to be made during times of fiscal constraint and research has shown that superintendents use their values when making their critical decisions (Kowalski, 1995; Kowalski, 1999; Lasher, 1990). It will not be in the best interest of the school division to have constant value conflicts with the superintendent. Avoiding value conflicts will help the superintendent and the school division make useful decisions that fulfill what should be the ultimate goal, making decisions that benefit both the students and the employees in the school division (Capper, 1993; Crowson, 1989; Greenfield, 1986, 1987, 1991, 1995; Hostetler, 1986).

Even beyond the field of education, research shows that Chief Executive Officers (CEOs) and organizations need to share similar values. Several research studies (e.g., Adkins, Meglino, & Ravlin, 1989; Deal & Kennedy, 1982; Ouchi, 1981; Peters, 1988; Peters & Waterman, 1982; Razik & Swanson, 2001) show that businesses tend to be successful when the employees share similar values. A successful organization stems from employees who buy into the values of the organization. That buy-in starts with the CEO as he or she has to promote the values of the organization (Lencioni, 2002). A CEO is not going to be reluctant to promote the values of the organization if he or she accepts those same values.

Having a strong leader with similar values is also important to help ward off any unwarranted outside forces who may try to impose their views onto the organization. A superintendent will want to ensure that the school division has a tight-value system to ward-off

any unwanted external forces who may try to impose their ideas onto the school division. A tight-value system should be coupled with a loose culture so that the school division has the ability to adapt to any change in the school system that is needed (Balch & Brower, 2005). If a school division has a loose culture then it is easier for them to adapt to change (Balch & Brower, 2005).

Budget decisions in a time of fiscal constraint are going to probably bring about some change in the school division. A tight value system and a loose culture will help ensure that the school division will be able to adapt to decisions made by the superintendent (Balch & Brower, 2005). A tight value system will help the school division have a value system in which most of the employees conform to the value system and are less likely to deviate from those values (Gelfand, Nishii, & Raver, 2006). A problem is that tight cultures are less likely to adapt to change (Gelfand et al., 2006). A loose-culture will allow the school division to produce more innovative ideas because there is openness to new ideas (Gelfand et al., 2006). The school division will be able to adapt better to the changing financial conditions by having a loose culture (Gelfand, et al., 2006).

In summary, values are the ideas and beliefs that help guide the decisions of people during their lifetime (Ciulla, 2004). Research has shown that superintendents value their role as leaders of school divisions and the responsibilities that come along with it (Leithwood & Steinbach, 1995). One of those responsibilities as leader is to effectively run the school division. In order for that to occur, the superintendent and the school division need to share similar values. Research in the business arena has shown that organizations tend to be more successful when the CEO and organization share similar values. Likewise, the superintendent should assess his or her values to see if they fit into the structure of the school division. Similar values between the

school division and superintendent will help promote more decisions that are useful to the school division (Drake, 1973; Rokeach, 1979).

### **Budget Development in Times of Fiscal Constraint**

#### **How CEOs deal with fiscal constraint.**

A superintendent is the CEO of a school division. CEOs outside of education also have to deal with fiscal constraint and face similar problems as superintendents. Many CEOs panic when faced with a recession (Gulati, Nohria, & Wohlgezogen, 2010). They feel that their sole purpose is to prevent the company from going under by cutting many items, reducing the workforce, and reducing investments (Gulati et al., 2010). Many times these prevention strategies can cause the company to lose momentum and fall behind competitors (Gulati et al., 2010). There are some aggressive CEOs who avoid prevention strategies and use a recession as a way to restructure the company and acquire talent who may have been laid off by competitors (Gulati et al., 2010).

A CEO must realize that his or her most important asset is the customers. The organization would not exist without the customers (Bigelow & Chan, 1992). It can be expensive for a CEO to recruit new customers to the company, so it is important that during a recession, the loyal customers do not feel like they are being cheated (Bigelow & Chan, 1992). Reducing customer service can cause customers to be unhappy and move on to a competitor (Bigelow & Chan, 1992). In a school division, the students and their families are the customers for the superintendent. While students may not have an option of going to another school division, reducing resources irresponsibly may cause the academic performance of students to decrease, students and staff to exit the school division, and morale to suffer. The company still

has to serve the customers to the best of its ability during a recession just like the school division must serve his or her students.

### **How superintendents deal with fiscal constraint.**

Superintendents experience many pressures when trying to make decisions on how to navigate financial constraint. The past shows us that when superintendents had to make cuts in the budget because of fiscal constraint, some of those cuts involved teachers being laid off or having their salaries greatly reduced and educational programs being cut (Balakis, 1984a; Burbank, 1971; Cohen & Duke, 1983; Collins & Lucove, 1982; Divoky, 1975; Eisenberger et al., 1978; Hansot et al., 1984; Hoban, 1979). The consequences of these cutbacks were increased discipline issues, increased student teacher ratios, and declining student achievement (Cohen & Duke, 1983). While the consequences of cutbacks may not be entirely avoided, recent research shows that Virginia school divisions tried to make cuts that had as little negative impact on students as possible by protecting instruction and preserving as many jobs as possible (Scott, 2010).

Grogan & Smith (1999) concluded that superintendents ultimately try to base their decisions on what is in the best interest of the students in the school division. Superintendents also can make bad decisions even though their hearts are in the right place. Shakotko & Walker (1999) found that poor economic conditions caused many superintendents to make poor decisions. Many of those decisions stemmed from fewer options available to the superintendents than in previous financially flush times (Shakotko & Walker, 1999). These superintendents had to take more risks to fight for services for the school division. There are many hard questions that superintendents face in times of fiscal constraint, and according to Shakotko & Walker (1999), superintendents face the following questions:

1. Should we close the school for economic reasons?
2. Should we bow to the political pressure to save the town by keeping the school open?
3. Should we close the school and give the kids a real education-how can you get a kindergarten education with just two students in the class?
4. Do we close a relatively new development center because funding such a limited number of students is difficult to defend in times of economic crunch?
5. Should we be eliminating programs like industrial arts, home economics, and maybe band because of high cost?
6. Is it right for us to have a band program when we know that only the well-off families can afford to rent the instruments?
7. Who should be declared redundant? What decision-making process should be used? How open can the process be?
8. How can we go on reducing the budget through cost-cutting measures, including teacher cuts, while trying to maintain soundness of educational program?
9. Do you make staff cuts right across the system, or do you avoid cuts in the areas that can afford them the least?

Organizations should have pre-planned contingency plans that have been developed beforehand so they can be activated during a recession (Bigalow & Chan, 1992). A school division should have some sort of plan that will help it continue to be a successful school system during a time of fiscal constraint (Dlugosh et al., 1996). This plan will help the superintendent make rational decisions instead of emotional decisions and should represent the values of the school division (Dlugosh et al., 1996; Herman, 1992).

One example of a plan is that a school division may develop some guidelines or criteria that will be followed in a time of fiscal constraint. The criteria may depend on what types of reductions the school division is facing. Once the school division has developed the criteria, the school division can proceed with its cuts. Mostly, the main objective should be to keep the costs as far away from the classroom as possible (Dlugosh et al., 1996).

There are ways that school divisions can make cuts without greatly diminishing the quality of the education the students receive. The *American School Board Journal* (1992) produced a table that gave forty ways that a school division can make these types of cuts. One of the ways is to freeze the salaries of school employees. A second way is to encourage early retirement for older staff members. A third way is to eliminate classes in the secondary schools that have a small number of students (Decker, Mulheirn, Sluder, & Watford, 1992). These examples are just three of the multiple ways that a superintendent and school division can make responsible cuts. Other recommendations by the *American School Board Journal* for cuts that can save money are listed in Appendix A.

A second plan is that a school division can be proactive to eliminate any waste in the budget before a budget crisis even occurs. A total quality management plan may be implemented, which will require the school division to perform audits in the budget. The people who participate in these audits are from all levels of the organization structure in the school division (Cotaskos, 2004). The superintendent must take a leadership role in order for this plan to be successful. This plan requires a team effort, and the team will look to the superintendent to be a leader. The superintendent needs to ensure that the data collected is accurate so that programs and items in the budgets can be effectively evaluated (Cotaskos, 2004). Accurate data



is an important part of any budget if ineffective items or programs are going to be eliminated from the budget (Cotaskos, 2004).

### **Deficiencies in the Literature**

The literature was limited in most instances when it came to superintendents and budget constraints. Historical case studies provided me with valuable information about how superintendents reacted during a recession. An example of the valuable information provided was that superintendents had to lay off teachers in order to balance the budget which led to increases in discipline issues. Recent research has shown that they try to make cuts that have as little impact on students (Balakis, 1984a; Burbank, 1971; Cohen & Duke, 1983; Collins & Lucove, 1982; Divoky, 1975; Eisenberger et al., 1978; Hansot et al., 1984; Hoban, 1979; Scott, 2010). A problem is that there is not much recent research published on this topic. Literature on values was related primarily to principals rather than superintendents. Due to this limitation, I expanded this search to include more public policy books to look at values as a whole and how they could apply to the job setting.

### **Problem Statement**

Researchers have not explored in depth how superintendents use values to make budget decisions during times of fiscal constraint. There is just very limited research that is available. It is important that we understand how superintendents make budget decisions during fiscal constraint because they are the leaders of the school divisions and their decisions have an impact on many people. Also, new public policies can be an outcome of budget decisions. Education is a sacred part of this country and my research will allow me to gain more knowledge on how a superintendent makes budget decisions. The review of the literature has helped me develop the following research questions.

## **Research Questions**

1. How does a superintendent formulate budget decisions during times of fiscal constraint?
2. What role does the superintendent's value system play in the decision making process for formulating the school budget in times of fiscal constraint?

## **Chapter 3: Methodology**

### **Purpose of the Study**

The purpose of this study was to understand the budget decisions of one superintendent during times of fiscal constraint and the roles that personal preferences and values play in decision making. It was important to recognize that budgets are value documents yet there were limited studies that analyze how superintendents make decisions in the budget during times of fiscal constraint. This study utilized a qualitative case study method to explore budgetary decision making of a superintendent in a rural school division in Virginia. In Virginia, each school division must have a division superintendent (Code of Virginia §22.1-58).

### **Research Questions**

1. How does a superintendent formulate budget decisions during times of fiscal constraint?
2. What role does the superintendent's value system play in the decision making process for formulating the school budget in times of fiscal constraint?

### **Method Type**

Qualitative research involves the researcher conducting field research by having face-to-face interactions with the participant in the study (McMillan & Schumacher, 2006). The face-to-face interactions involved taped interviews and conversations. The data that is gathered from this type of research is not in the form of numbers but in the form of words (McMillan & Schumacher, 2006).

A qualitative case study method was used for this study. A qualitative case study involves “an in-depth description and analysis of a bounded system” that examines a program, situation, or set of individuals (McMillan & Schumacher, 2006; Merriam, 2009, p. 40). The researcher sets the boundaries for the given setting (McMillan & Schumacher, 2006; Merriman, 2009).

I proposed a qualitative case study because this study was about the actions of the superintendent in relation to the budget. A case study allowed me to interview the superintendent and observe him during budget meetings. These face-to-face interactions, along with the reviewing of documents and artifacts, provided the data I needed to address the research questions. The time frame for the data collection of this study was from October 2011-July 2012.

I used the interpretive perspective of research with this study. This perspective allows the researcher to not be a spectator but an active participant in the construction of knowledge (Bochner, 2005). This perspective is a very friendly for qualitative researchers because it allows the researcher to be conversational and interactive with the participants (Bochner, 2005). The researcher interprets the stories presented to him or her and applies meaning to those stories (Bochner, 2005).

### **Site and Participant**

The site that was used for this qualitative case study was a rural school division in Virginia. This school division was given the pseudonym Green Hill Public Schools. This school division had 6,357 enrolled students for the 2010-2011 school year. During the 2010-2011 school year there were 51% of the students who were classified as white, 34% classified as black, 8% classified as Hispanic, 1% classified as Asian, .5% classified as American

Indian/Alaska Native, .5% classified as Native Hawaiian/Pacific Islander, and 5% classified as two or more races. There were five elementary schools, one middle school, and two intermediate school within the division.

The financial information for Green Hill Public Schools is given in Appendices B and C. The expenditures were broken up into six categories. Those categories were instruction, administration, attendance, and health, transportation, operations and maintenance, facility/cap outlay, technology, and contingency. The instruction expenditure was the biggest expenditure in the budget. The contingency fund was the only category to experience an increase from the 09/10 to the 10/11 school year. Conversely, the contingency fund was the only category that saw a decrease from the 10/11 to the 11/12 school year. The budget flowchart for the budget calendar for the school division is given in Appendix D along with an analysis of the process.

The participant in the study was the superintendent of Green Hill Public Schools. He was given the pseudonym of John Smith. He started out as assistant superintendent of Green Hill Public Schools in 2006 and was appointed as superintendent in 2009. He has been an assistant superintendent in other localities as well. This was his first time as a head superintendent. The 2011/2012 budget was his fourth budget he has formed for Green Hill Public Schools.

### **Data Collection**

The key informant in this qualitative case-study was the superintendent since this was a case study of one superintendent's budget processes. Ten interviews were conducted in this study. These interviews were semi-structured in that I had an interview guide for my questions, but the interviews led to follow-up questions and probes that were not pre-determined. These interviews were conducted face-to-face to allow more informative conversations with the participant. These interviews were audio-recorded and transcribed by me. The interviewee was

given a copy of the transcript. If during the interview the participant felt that he did not want to answer a question or wanted to stop the interview, then I honored his request. A qualitative researcher must allow the interviewee to review the transcript to ensure that a valid transcript is produced that fully describes what the participant is saying (McMillan & Schumacher, 2006).

I searched newspaper articles for items covering the school division's budget so that I could analyze what was being said about the budget in the media and community setting. The review of the newspaper articles gave me an opportunity to review how the superintendent was presenting information to the public in regards to the budget. It also gave me a perspective of how the community viewed the budget process.

Finally, an analysis of detailed minutes of School Board and Board of Supervisors meetings was conducted. These minutes helped me understand (a) the budget process, (b) the relationship between the superintendent, the School Board, and the Board of Supervisors, (c) how the budget is presented to the public at these meetings, and (d) how the public views the budget process in this county.

The analysis of the newspaper articles and minutes from the School Board meetings were used to help me develop my interview questions for John Smith. I did not directly reference them in Chapter 4. I wanted to tell John's story and tell it through his perspective.

A timeline for my data collection is given here.

Table 1

*Timeline of Data Collection*

Month	Description of Events
October 2011	1. Interview the superintendent about the budget process, his role in the construction of the budget, and budget calendar for the upcoming year.

	<ol style="list-style-type: none"> <li>2. Review a copy of the budget templates that are given to the schools.</li> <li>3. Review the detailed minutes for the October School Board meeting and any budget work sessions.</li> </ol>
November 2011	<ol style="list-style-type: none"> <li>1. Interview the superintendent to get an update on the budget as the budget templates are given out to schools.</li> <li>2. Review the detailed minutes for the November School Board meeting and any budget work sessions.</li> </ol>
December 2011	<ol style="list-style-type: none"> <li>1. Review the detailed minutes for the December School Board meeting and any budget work sessions.</li> </ol>
January 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent about the budget templates that he just received from the schools and how they factor into the construction of the budget. We will discuss other aspects in the construction of the budget.</li> <li>2. I will review the budget requests from the schools to the superintendent.</li> <li>3. Review the detailed minutes for the January School Board meeting and any budget work sessions.</li> </ol>
February 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent on the updated budget process.</li> <li>2. Review the detailed minutes for the February School Board meeting and any budget work sessions.</li> </ol>
March 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent about budget proposal to the School Board.</li> <li>2. Review the budget proposal to the School Board.</li> <li>3. Review the detailed minutes for the March School Board meeting and any budget work sessions.</li> </ol>
April 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent about the current budget process and the release of the General Assembly budget.</li> <li>2. Review the final approved budget and compare it to the other budgets.</li> <li>3. Review the detailed minutes for the April School Board meeting and any budget work sessions.</li> </ol>

May 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent about the current negotiations with the School Board and Board of Supervisors.</li> <li>2. Review the detailed minutes for the May School Board meetings and budget work sessions.</li> </ol>
June 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent about where things stand with the negotiations and the budget process.</li> <li>2. Review the detailed minutes for the June School Board meetings and budget work sessions.</li> </ol>
July 2012	<ol style="list-style-type: none"> <li>1. Interview the superintendent about the final budget and process as a whole.</li> <li>2. Review the final budget.</li> </ol>

## **Data Analysis**

Qualitative data analysis involves the researcher organizing the data so it can be interpreted and analyzed (McMillan & Schumacher, 2006). I used inductive analysis for my study. Inductive analysis is a form of data analysis in which categories and patterns are drawn from the data during the study but not prior to it (McMillan and Schumacher, 2006). Categories are formed in an inductive manner (Merriam, 2009). Content analysis was employed in my analysis of documents and artifacts.

I analyzed the interviews, observations, and documents to see what patterns emerge. “A pattern is a relationship among categories” (McMillan & Schumacher, 2006, p. 373). I organized and coded the data as I read the transcripts of the various interviews. I went through other sources of information. Coding involves taking information and breaking it up into smaller segments before interpreting what the data means (Creswell, 2009; Rossman & Rallis, 1998). The codes that were developed for this study were codes that emerged from the data.

The categories emerged as I coded the data (Creswell, 2009). The data was then organized into categories so that a preliminary analysis could be performed (Tesch, 1990). That



made it easier for me to look at the data in each category in an organized format (Tesch, 1990). The content in each category was summarized by me (Tesch, 1990). Specifically, I looked for “a) commonalities in content, b) uniquenesses in content, c) confusions and contradictions in content, and d) missing information with regard to your research question/topic” (Tesch, 1990, p. 145). I understood that not all of my data was relevant and I discarded the data that did not apply to the research questions (Tesch, 1990).

As the data was organized into categories, I interpreted the meaning of the data (Creswell, 1990). Theoretical memos helped me see the patterns develop. These memos included my thoughts on the research process and data collection patterns (Marshall & Rossman, 2011). These memos also helped me gather my thoughts and allowed a more careful analysis of the data. As the documents were being reviewed, I wrote memos in parallel. These documents and memos were labeled and stored in folders and locked in a file cabinet.

Some of major codes that were used in this study were items protected in the budget, budget cuts, feeling toward VRS, impact of VRS increase, impact of the health insurance increase, relationships, impact of people on the budget process, budget team, impact relationships, flexibility, transparency, values, and deadlines. The major themes that emerged from these codes were the impact of the VRS increase and health insurance increase on budget decisions and relationships, the relationship between the school division and the Board of Supervisors, the personal beliefs of John in the budget decisions, and the absence of any real deadlines in the budget process. Some themes did emerge that were not fully explored in this study. Some of themes were personal opinion on the government of the state of Virginia, decisions by the Board of Supervisors not related to the school division budget, and personal

opinion on items not related to the budget. These items were touched on briefly, however portions were excluded because they did not fit fully with the overall theme of the story.

### **Researcher as Instrument**

I have been a teacher in the Virginia public school system for the past eight years. I graduated from Virginia Commonwealth University in 2003 with two degrees, a Bachelor of Science degree in Mathematics and a Masters degree in Teaching. My current research interest involves analyzing public school budgets during times of fiscal constraint. I do have some biases and limitations that can lead to methodological limitations to this study.

A qualitative researcher must understand the boundaries and limitations in the study so that he or she does not make any overreaching claims that extend beyond the boundaries of the study (Marshall & Rossman, 2011). The focus of this study was not to generalize the findings of this study to other school divisions but to analyze the budget decisions of one school division. There was no perfect design for a study and a qualitative researcher has to understand that compromises will have to be made in the design of the study (Marshall & Rossman, 2011; Patton, 2002).

I received approval for this study through the Institutional Review Board (IRB) at Virginia Commonwealth University (VCU) before this study began. They ensured that all ethical mandates are met in regards to this study. This approval was required by VCU in order to ensure the most credible study possible.

## **Chapter 4: The Budget Year**

### **Introduction**

I interviewed John from October 2011-July 2012. The interviews took place in John's office. He was comfortable meeting in his office. I attended the School Board meetings and reviewed the minutes after each meeting. The minutes were not scripted but a summary of what happened at the meeting. I attended two of the Board of Supervisors meetings during the month of May because these meeting dealt with the school division budget. Newspaper articles and board meeting minutes were reviewed but were not referenced in this chapter. They were used to help me develop my interview questions for John.

“The budget year begins July 1 and runs to June 30 with no downtime in the budget process.” Superintendent John Smith let me know what was ahead – 12 months of budget work. Mr. Smith, as the leader of the budget process explained that he works with various people to help facilitate the work. During the coming budget year, I would see some of these interactions with the assistant superintendents, the financial directors, the educational directors, and the administrators of the various schools in the school division. I would learn how they help the superintendent construct a budget for School Board approval. What I would observe most often in the coming months was that, although the superintendent relies on his team, ultimately the final decisions in the budget that is presented to the School Board were his to make.

## **July 2011**

On a hot summer day in the beginning of July, John Smith called his first meeting with the finance director and the two assistant superintendents. The purpose of this meeting was to do a thorough analysis of the 2010-2011 budget year. John directed the group in looking at “expenditures in terms of percentages used month to month from July 1 to June 30.” Although this procedure had occurred each month in 2010-2011, John said this July analysis was different because it examined the entire 12-month period. “The analysis showed where there were peaks and valleys in the budget.” John and his team were looking for particular patterns during this analysis and questions arose. “Did the peaks and valleys happen due to economic changes within purchases of materials, supplies, fuel, and food?” “Did they happen due to worker compensation claims or legal issues?” “Did they happen due to inclement weather?”

During their analysis of the peaks and valleys of the budget, the group noticed some trends. Fuel was one of the items they analyzed. John defined fuel as “diesel and gas for the fleet, the crude bunker for the boilers for heat, and natural gas for purposes of heating, cooling, and cooking.”

We looked at the trends in terms of 2009/2010 to 2010/2011. Now, where did we think fuel would be for 2011/2012? Obviously, fuel in 2010/2011 had leveled off and we considered it to be the same price for 2011/2012.

John and his team also analyzed a similar trend in utilities for the 2011/2012 school year in which they expected everything to remain constant.

In 2010/2011, there was an 8% and a 3% increase in utility costs for electrical, heating, and cooling. As of July for 2011/2012, the Dominion cooperative and Columbia gas did not request any fuel increases for 2011/2012.

John also said that even though he forecasted the price of fuel and utilities to remain constant for the entire 2011/2012 school year, he always budgeted extra money in case of unexpected increases.

As John and his team analyzed the enrollment trends for the previous school year, they noticed an enrollment change between two elementary schools that required a change for the 2011/2012 school year.

We saw an enrollment shift from (Elementary School A) and (Elementary School B) to (Elementary School C)<sup>2</sup>. It necessitated new teachers at (Elementary School C). Now, did that mean we could transfer three from (Elementary School A) and (Elementary School B) to (Elementary School C). The answer is no because the enrollment increase was not significant.

An issue for John was that he could not just transfer teachers across the division. He had to hire three new ones for the upcoming year, requiring additional expense for the school division.

Since it was three additional teachers we added, that meant that was three additional classrooms. We had to acquire furniture, books, and materials for implementation. It impacted the buses the kids come in on. It also impacted the support staff like the school psychologist, school nurse, and guidance counselor. In fact, we had to hire a guidance counselor who was shared between two elementary schools.

It wasn't just the added cost that was associated with the enrollment change, federal funding was tied to this enrollment change because the school division receives money from federal government based on the enrollment in the school division.

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<sup>2</sup> These are three of the five elementary schools in Green Hill County.

That is the forecast for enrollment as of July 1. If they are enrolled as of September 30, then the trick is to see if those same kids are enrolled as of March 30 so we can receive funding for the full year.

John said that analyzing enrollment changes was an ongoing process throughout the school year to help predict the enrollment for the upcoming 2012-2013 school year.

The team also noticed some trends and changes in insurance costs. They analyzed some increases and some decreases in insurance cost.

Workmen's compensation went up as a virtue of our claims. Liability conversely went up because of changes in the market. Coverage of the facilities actually went down because we have maintained good rates.

John said that insurance rates can change annually, and there was "no real accurate way to predict what insurance rates will be." Insurance costs can go up and can go down, and the school division has to be prepared to deal with any changes in insurance costs.

A week later, John called a second meeting with the secondary director, elementary director, special education director, Title I director, technology director, food service director, construction and maintenance director, and transportation director. "The purpose of this meeting was to look at the student population, along with materials and supplies so that you can facilitate services to start." John discussed with the directors the enrollment changes at the elementary schools, and they came out of the meeting with a plan in place to ensure a smooth opening to the school year.

A week later John held a third meeting was held with the nine principals in the school division. "The purpose of this meeting was to evaluate the complacency of the school year

starting, that all services were in place, and see if there are any gaps that existed.” Many items were discussed at this meeting.

The division added additional furniture and textbooks. The division also had to change the bussing patterns because we had more kids on some busses than in previous years. Thus, we had to change the bus patterns. We also had to begin looking at the portfolio assessment of students so that we could have a tutoring mechanism in place so that we could help students.

During the final week of July, John called a meeting with the School Board. The purpose of this meeting was to start to establish a base for the budget.

You have utilized one month’s fuel, food, utilities, books, supplies, and personnel. As a result, you begin to establish a pattern or a base. A base meaning you are establishing what your needs will be and personnel costs to open schools in September.

John said that July could be used as a base for the budget because the staffing is based on student enrollment. The number of students that were budgeted for 2011/2012 was 6,260 but 6,280 were enrolled as of July. Those 20 students were spread among all the grades in the school division. As mentioned earlier, there was enough of an increase to necessitate the hiring of the three additional teachers at the elementary school. Those teachers would be paid through the contingency fund.

July was used to complete a detailed analysis of the 2011/2012 budget. John had to make some adjustments in the budget because of staffing changes, but he said that was normal. As August began, John was hopeful he could use that month to make any final changes. so the school year could begin smoothly.

## **August 2011**

August arrived and John sat in his office and reviewed the data analysis of the 2011/2012 budget that was performed in July. He anticipated this year was going to be another tough budget year, but he did not know how severe. After analyzing and closing out the previous budget in July, he was hoping that fuel and health insurance costs would not increase due to financial constraints on the budget.

John said that in an ideal year, August is used to make sure the school division is ready to start the school year.

I use August as a way to make sure the school division was ready to go. My goal is to be at full strength by having all of the personnel in place, infrastructure should be up and at peak operation, meaning that repairs have been done, and utilities should be up and running, and as a cost saving measure, the school division should top off the fuel tanks in preparation for winter operation because hopefully the fuel prices will be lower now than in the winter.

John did not anticipate what he was about to face at the end of the month. Hurricane Irene caused widespread damage to central Virginia. The school division suffered \$38,000 in damage to buildings and a \$95,000 school bus was completely destroyed. The damage to the buildings was completely covered by insurance, but only 95% of the cost of the bus was covered by the insurance company. The remaining cost for a new bus was paid for through carryover money.

“Carryover money is money that is appropriated from the state and the locality and as of June 30, any money remaining in the budget that was allocated by your fiscal agent reverts back to the fiscal agent.” The school division had \$223,000 in carryover money. John knew that in order to receive that money back, the school division had to ask the Board of Supervisors for it,



since the board is the fiscal agent for the county. Permission by the Board of Supervisors was granted for the school division to use the carryover money to cover the remaining cost for the bus. The Board of Supervisors also approved carryover money to make some repairs to roofs that were damaged by the hurricane.

John was able to use much of August to get the school ready for the upcoming year. Hurricane Irene just added an unanticipated hurdle for John to overcome. “The hurricane happened, and we had to deal with it to the best of our ability.” With August coming to an end, John pondered whether this hurricane would cause the start of the school year to be delayed.

### **September 2011**

The school year was supposed to start on September 6, but because there was no power in many of the school buildings, the start date was moved to September 13. While this curveball was thrown at John, he did meet his goal of having the school division “operational and running like a smooth assembly line” once the school division was able to open to students. The purchase of the replacement bus and the necessary repairs to the buildings were completed before school started. However, there was hidden water damage to buildings that would not be discovered until shortly after the start of the school year. “This water damage did not cause school to be delayed anymore and the repairs were made shortly after it was discovered.” These repairs were covered by the insurance company.

“September should be a baseline to show operations from September through June what your monthly cost will be with kids in school.” John said the school division had to look at everything in regards to operations such as “personnel, utilities, heating, cooling, utilization of materials, and fuel.” These projections provide a good idea on how much items will cost throughout the school year. John used the projections to foresee how much items will cost for

the current school year and to also help build the budget for the next school year. Even with the delays caused by the hurricane, John still was able to use September to make his projections. The projections were on par with what was budgeted for the 2011/2012 school year.

This was a unique September because of the start of the school year. Even though the school year started late, John said there should be enough extra time built into the schedule that the ending of the school year should not be delayed. “If there is more inclement weather that causes school to close, then we may have to revisit extending the school year.” Now that the school year had started and the baseline projections were made, it was time for John to start to focus on the 2012-2013 budget process.

### **October 2011**

John got the budget process moving for the 2012-2013 school year. He called a meeting in the beginning of October with the nine principals, nine directors, and three assistant superintendents. The purpose of this meeting was to get everyone focused on the 2012-2013 budget process. John had them look at possible variations for the budget. He presented three scenarios:

1. Level funding meaning the same budget as for 2011-2012 school year.
2. Decrease in funds of 5%
3. Decrease in funds of 7%

“The purpose of doing it this way was to have everyone prepared if there was a decrease in funds.” John predicted that the funds the school division would receive would either stay constant or decrease. “I would be very surprised if there was an increase in funds.” He would have a better idea once the Governor’s proposed budget was released in December.

John warned the members at the meeting to be aware that funds in the budget could be reduced even more so they should be mindful of what was requested in the budget. “The school division will have to be able to accomplish more with less.” That was the mindset that John wanted to establish at the meeting. “I was not trying to break the morale of the people at this meeting but just trying to give them a sense of reality.” John believed at the end of the meeting that everyone would be able to work together through this budget process.

The budget templates used by the school division to construct the budget were given to the assistant superintendents and directors at the end of the meeting for their review. These templates were set up in terms of the Standards of Quality and designed to help the principals in their planning for their budgets. Principals were told they should receive a copy of these templates by November 1. October was a chance for John to get people thinking realistically about the 2012/2013 budget. John predicted a decrease of funds once the Governor’s budget was released in December. That was what John wanted the principals, directors, and assistant superintendents to have in their mind as they worked to complete the budget templates throughout the months of November and December.

### **November 2011**

The budget templates were sent to the principals electronically on November 1. Now that the principals had the budget templates in hand, they had a meeting with their department leaders during the first week of November. In that meeting, the principals reviewed the budget outlook with the department leaders and also looked at enrollment projections for the next year so they could see how many teachers and materials would be needed. Throughout the next two weeks leading up to Thanksgiving, the department chairs worked with the personnel within the department to formalize a budget for the department.

John called a meeting with the principals shortly before Thanksgiving to give them preliminary data for the Governor's budget. "I told them at the meeting to expect a decrease from state and federal sources." This news was not unexpected, and was why John had the principals prepare budgets with both a 5% and 7% decrease in funds. "This wasn't a time to be negative but a time to push through and complete the budgets based on the revenue streams coming in."

The department chairs turned in their budget templates to the principals during the last week of November. December was just around the corner, and the timeline to get the budget templates back to the superintendent was December 16<sup>th</sup>. While the preliminary data were released for the Governor's budget, John was hopeful that there will be no other major cuts in the Governor's budget when released in late December.

## **December 2011**

John continued to meet with his budget team throughout the first three weeks of December as they prepared to receive the upcoming budget numbers from the Governor. The principals were in constant communication with John in what they wanted to protect in the budget.

The principals have told us repeatedly to maintain the assistant principals as we need that support in terms of being able to effectively evaluate staff under the new teacher evaluation model. Also, the assistant principals represent the school at various meetings, meet with parents on a regular basis, maintain discipline management in the school, and conduct parent seminars. They have also asked us to maintain pupil-teacher ratios comparative to where they are now. Principals have said if you have to, don't necessarily wipe out support personnel such as secretaries, book keepers, copy aides, and instructional aides but you may have to reduce the number of days that they have to work. Principals have also asked us to look at lengthening the school day and shorting the school year to determine if that would save money in terms of utilities. We would be able to meet the 990 clock hours of instruction but what would be the savings of heating, cooling, lighting, transportation costs?

While this was the wish-list of what John was consistently hearing from the principals, he would not know what he could give them until the Governor's proposed budget was released.

The budget templates were due back to John electronically on December 16, the last working day before winter break. He liked that these templates were sent to him electronically because "it was a smoother process because items could now be grouped together into a spreadsheet and be easier to analyze." John said he did a quick review of what was in the budget templates but would do a more thorough analysis once the Governor's proposed budget was released.

The Governor's proposed biennium budget was released December 19 and it called for \$3.1 million in cuts to the school division. John said he didn't anticipate the amount to be so high, but what really caught John by surprise was the proposed 5% increase in employee contribution to the Virginia Retirement System (VRS). He called a meeting the following week, the second week of winter break, with the assistant superintendents and the finance director so that they could analyze this budget along with the budget templates. "We looked at the Governor's budget as a roadmap on how to prepare our budget." They drafted a schedule on how many times they needed to meet to develop the budget so that it could be presented to the School Board.

The release of the Governor's budget gave John guidance on how the budget from the General Assembly would look. The cuts along with the call for an increase in VRS discouraged John, but he knew he had to push forward. "My job as superintendent is to present a balanced budget to the School Board and Board of Supervisors, no matter the circumstances." John continued to analyze the Governor's budget for the rest of December in preparation for his meeting with the directors and personnel in January.

## **January 2012**

It was time for John to break the news of the details of the Governor's budget to the principals and directors, so he called a meeting with them and the assistant superintendents to be held the first week in January. John wanted a positive tone at this meeting, even with the depressing news from the Governor's budget. He said the reaction of the people at the meeting was that "we will find a way to get through this." "This school division works together to solve problems, and we will make it through this budget process together."

John also had been communicating with the School Board on the proposed Governor's budget. A formal explanation of the Governor's budget was given by the finance director at the January 9 School Board meeting. It was a time for the public to get an understanding of the Governor's budget. The finance director said that the school division was fully committed to ensuring that the students received a quality education in this school division, even with the deficit being faced from the Governor's budget. After the presentation had concluded, the School Board chair encouraged the public to submit their budget suggestions to School Board members. He also encouraged everyone to contact their representative to the Board of Supervisors to encourage him or her to support the school division receiving the funds that it needed.

John was now in a position where he was ready to the construct the budget with his budget team.

This is the most challenging budget year yet in my three years as superintendent. Some of the challenging parts in this budget are that cuts have been made drastically during the past two years and there are more cuts that were going to have to be made. There is no flexibility within construction, transportation, and other areas for reduction in operations.

John made it clear that extra money was not available to cover required cuts and warned that many difficult decisions on cuts were going to have to be made to build the final budget.

As John worked with his budget team to formulate this budget, he did have some perceived ideas on what he would protect first. “Obviously, the quality of education is first and foremost because kids are what we are about.” Now, he had stated earlier that the principals should not expect any type of expansion of teachers because the money was not there. At the same time, he strongly felt that “if we are going to retain quality personnel then we have to pay them an adequate salary and provide them benefits and maintain their morale at a high level.” John was afraid that he would have no choice but to cut salaries and benefits. “We do not have much more flexibility in the budget to cut funds without cutting personnel, without placing people on furlough, or without reducing salaries.” Personally, he strongly wanted to protect salaries, but he was looking at trimming some benefits.

I look at keeping the salaries, keeping the personnel in place to maintain the level of education to students, but I would look at trimming some of the benefits. Benefits could be that the medical health insurance would go up and as a result, we may not be able to pay the increase in the cost, and we would have to pass that along to our personnel. We can still maintain salaries, maintain sick leave, personnel leave, bereavement but, any increase in the VRS and the increase in medical cost would have to be passed on to the personnel.

“VRS is a challenge because they were proposing a 5-6% increase in employee contributions.” This increase weighed heavily on his mind because he wanted to do everything he could to maintain quality personnel in the county.

The school division could ask the locality for the additional 5 % amount. The locality could easily say no and then the school division would have to pass the cost on to the school employees which would then be a detriment in retaining qualified personnel, in particular when other school divisions may pay that cost. It could also be that individuals later in their career or ready for retirement may see this as a cut in pay, so they may just retire.

That was a fear that John had at this point. He was afraid that if employees had to pay that full 5%, then he would have many experienced personnel, younger and older, leaving for other school divisions, other professions, or an earlier than anticipated retirement.

Many questions remained on how the state was going to handle the 5% increase for VRS. There were two different plans that the state was considering. John explained,

1. The first plan is that employees pay a 5% contribution with the localities matching it with a 5% increase in pay.
2. The second plan is that employees pay a 5% contribution and there would be a phase in by the locality of a raise to offset that contribution.

John had some concerns and questions about the second plan.

What I have not heard is that whether the General Assembly is going to implement that 5% employee contribution one time and then we do the phase in 1% each year for five consecutive years. My concern is that I don't want to do it that way because it is unfair to you and me as employees. We are paying 5% , but if they did the phase in of a 1% raise each year for the next five years, we are in the hole either way we go. In this economic recession, morale is already difficult enough based upon no cost of living increases. That would be a further detriment.

John said it was hard to predict which plan the state would choose. The localities may be presented with both plans and have the option to pick one.



John had strong, personal feelings about VRS. He felt that this VRS increase was the wrong thing to do at this time given the dire financial situation.

The Joint Legislative Audit Review Committee (JLARC) initially told every school division that if they did nothing in terms of increasing the rates that there was sufficient money in VRS for all retirees for it to be solvent through 2082.

John wondered about the reasoning behind why this increase had to happen right now. He had three possible reasons why the VRS increase was occurring this year.

1. Republican Governor McDonnell has touted himself as being the governor of tax reform and also overhaul of the retirement system for all employees of the commonwealth including educators.
2. The General Assembly wanted to make sure more than enough money was being put into it to fund it.
3. The General Assembly is moving from a defined benefit program to a defined benefit and contribution program.

John expanded on the third reason.

The General Assembly wants employees to begin paying their retirement as opposed to the State of Virginia incurring that retirement publically. That is a Republican standpoint across the United States.

John understood that the VRS increase had to do with politics. He did not disagree that reforms needed to be made to VRS. However, he believed that it was the wrong time and the wrong economic climate to request an increase in VRS.

John had originally planned to present his budget to the School Board at the beginning of February. That all changed once the Governor's proposed budget came out in December. The

community was informed through an e-mail and a post on the school division website of the postponement.

This e-mail is being sent on behalf of (Dr. John Smith), Superintendent, to notify you that he will not present a proposed budget as planned on February 2, 2012. The presentation is being delayed due to the magnitude of reductions required by Governor McDonnell's biennial budget proposal, and the significance of changes being discussed by state legislators. We await better / final information regarding state revenues and VRS rates for 2012-2013 from the General Assembly. We will keep staff informed of planned budget work sessions and a new budget proposal date.

John wanted a finalized state budget because he called this a unique year. "The reason for this delay is to be able to present a final budget without having to make many changes to it." It was possible that there could be changes between the Governor's budget and the final budget passed by the General Assembly. He was not prepared to deal with the VRS increase and wanted a more finalized budget from the General Assembly before he presented his budget. As February began, John also would have to tackle another increase in the budget due to medical insurance changes.

## **February 2012**

In January, a committee of county and school division personnel along with a Wells Fargo representative had been formed to review the medical and dental insurance plans.

Anthem had been the sole provider of medical insurance for the school division. The School Board and the Board of Supervisors sent out a request for health care groups to send a proposal for medical insurance. Anthem and Cigna sent us a proposal. The committee sat down and reviewed both proposals extensively.

The committee was scheduled to report its recommendations at the February 13 School Board meeting. John had an idea that the school division was likely to leave Anthem.

We are in a recession, but ironically the profits generated by Anthem are in excess of 40%, so the recession has impact on the revenue available to school divisions but not Anthem as they continue to increase their premiums to maintain their profit margin.

John knew that an increase would occur no matter which company the School Board and the Board of Supervisors selected. It was just a matter of which increase could be afforded.

February 13<sup>th</sup> arrived, and it was time for John to give his presentation to the School Board. He walked up to the podium and presented the findings from the committee. He said the committee recommended the school division continue to use Delta Dental for its dental insurance but the committee also recommended switching to Cigna for medical insurance because of costs. John gave a more detailed description of what the Anthem increase would have been in an interview after the meeting.

Anthem was proposing a 15% increase in premiums. Anthem has decided statewide not to provide the HMO platform which they are currently offering for this year, next year.

They are going to what is called a point of service. Cigna will be offering a platform similar to the HMO for this year.

A big problem that was still bothering John was that he did not know what the cost would be at this time. The county was still negotiating with Cigna on the products and cost. It was challenging to him because it was another unknown. How much would the employees have to pay for medical insurance? “I know it is going to be an increase, not nearly as much as the increase that Anthem proposed, but there will be some sort of increase.”

John held the VRS and medical insurance in high regard because he saw these as a tool for recruiting and maintaining quality personnel, thus protecting the quality of education. He asked the question, “Would you go to a district that would pay for your VRS and medical insurance, or would you go to one that didn’t”? He also stated, “You want to be reimbursed based upon your skills, and I feel that you as an employee will provide a quality level of education and instruction based upon on how you reciprocate it.”

While he wanted to resist these increases in the budget, John knew that items would have to be taken out of the budget because of the \$3.1 million in cuts projected by the Governor. What would he cut and in what order? John approached these questions by dividing expenses into essential and non-essential items. “Well, the essential items being personnel, busses, electricity, etc. that allow us to facilitate day to day instruction.” John also had items that he designated as non-essential.

The non-essential items we could possibly reduce would be copiers, computers, paper, construction materials, office supplies, and other contracted services. We also could delay replacement of busses or cars so that we can extend the availability of those items another 1 to 2 years, delay of roof replacements, delay the repair of sidewalks and paving, the listing would go on. They are essential in the process of keeping the infrastructure and availability to operate daily but if we reduce some of the materials, supplies and repairs, it doesn’t mean it impacts provision of instruction of kids. He said that he would cut all he could from the non-essential items before he cut essential items. “It’s a team decision on what cuts are made in the budget.”

John also began to think creatively about how to save funds in the budget. He looked at ways to sub-contract some of the employees, mainly the custodial staff, as a way to cut costs.

We are looking to contract out custodial services and construction and maintenance services outside of the school division if that is what the board wanted to do. If we did that, here is what we would eliminate. We wouldn't have to hire, interview, and go through the evaluation process of those employees, we wouldn't have to pay workers compensation, we wouldn't pay employee insurance because they wouldn't be our employees, we wouldn't pay the VRS because they wouldn't be under our system, we wouldn't have sick, personal, vacation, or bereavement leave, we wouldn't pay uniform cost because those individuals require uniforms which we buy. All of that would be farmed out to a firm who could provide the same service for us. The only thing we would have to continue to do is purchase custodial supplies that we normally need for schools, but we would save on contracted personnel costs.

Why do this? Well, John said this was the first time the school division had ever thought about sub-contracting, but that he was at a point where he had to be creative in the budget. This plan would affect 56 employees and save the school division \$184,000. He thought that this plan was an ambitious idea but he did not know if the School Board would accept the plan.

John had another creative idea about saving money in the budget. It involved what the principals proposed about the calendar in December.

I have asked the calendar committee to review a calendar in that we go 15 minutes longer a day and reduce the number of days we go in the year by two weeks. Could we present the same amount of instruction and maintain a quality level of education for our kids? We would reduce heating, cooling, and electrical in our buildings. We would also reduce our fuel consumption. If you put those two together in savings we could save about \$100,000. That's a change in how we have gone about doing business before. An employee asked me about the impact this calendar change will have on our staff and students. Well the impact is that employees would have to build the stamina to work fifteen minutes longer, there will have to be adjustments to the school schedule, parents will have to make adjustments in picking up students after school, there will be delays for extra-curricular activities, etc. These adjustments can be made and this calendar can work.

This was a proposal by John but ultimately the calendar committee, which is comprised of school division employees, who would make a recommendation to John. John said he would support that recommendation.

In explaining how he was making decisions about what cuts to make, John explained that policy directed his and his team's decisions.

I always lay it out in terms of policy and procedure rather than to say I prefer to do this.

In my estimation, policy is dictated by the Standards of Quality where the division needs to be to maintain accreditation. I could personally say you can go this way but if it won't support the division for accreditation, then I am not advising the district in a wise manner.

From John's perspective, the state was reducing the amount of funding to support and achieve the Standards of Quality, but the state was not reducing any of the requirements. John had a strong feeling about this. "If those Standards of Quality need to be reduced because the funding is not there then then the General Assembly should act, but we can't have both." He expanded on that further.

When they shift the responsibility from the state to the localities, then they are basically absolving themselves of the responsibility at the state level for the cost at which they have written the standards for. The state of Virginia has many revenue streams from which they receive money. The localities have their revenue streams from personal property and that of real estate and excess tax, business licensing tax, etc. When the state does not provide their fair share, they expect the locality to pick up the cost in order to maintain the standards. The locality does not have the revenue stream to pick it up.

It used to be that the state funded 55% of the Standards of Quality and the locality funded 45% , but that has been reversed in recent years with the state funding 45% of the Standards of Quality and the locality funding 55%. This shift bothered John because he sees it as the state sending less money to the locality and the locality having to make up the difference of that loss. He was fearful that this shift will create trust issues between many governing bodies in the very near future.

This causes dissention among the state government, the federal government, and the locality. In essence, the friendships that have been developed for purposes of developing public education are bruised and battered. After the budget processes are basically over then the relationship between the School Board, which has non-taxing authority, and the Board of Supervisors has to be repaired. Also, the Board of Supervisors has to repair its relationship with the General Assembly and the General Assembly has to repair its

relationship with the Federal Government. So yes, I am concerned that the relationships between the fiscal bodies being hurt and impaired and the ability to articulate what is required at each level. There needs to be a way to maintain the integrity on how it will be funded and that trust is there implicitly to provide that level of service in terms of what standards have been developed for.

John was foreshadowing some trust issues that would develop in the coming weeks and months as the School Board worked with the Board of Supervisors to complete this budget.

As February winded down, John had a basic idea about how much he would be asking the locality to help fund the budget. The governor proposed “shifting funds from the state Standards of Quality to that of helping divisions fund one-half of VRS.” In order to do this, John understood that the school division would need an additional \$1.8 million in the budget for the VRS increase but the state was only proposing to send \$900,000, leaving the locality to pick up the tab for the other \$900,000. In response, John added \$900,000 to the budget assuming that the locality would give it to the school division. John also looked at the health insurance situation and determined that the school division would need an additional \$900,000 to meet the increase. Altogether, John was going to need the Board of Supervisors to give the school division \$1.8 million to meet both of the increases.

John was fairly certain that at the end of February he was going to need the full \$1.8 million. He was still hopeful that the General Assembly would delay the VRS increase, but he was not very optimistic that it would happen. John knew the money was going to have to come from somewhere, and, at this point in the budget cycle, he was optimistic that the Board of Supervisors would support the school division with the necessary funds.

## March 2012

In the first weeks of March, John was still working on constructing the budget for the school division. At the same time, he was watching to see if the General Assembly would pass its budget. “They haven’t come to a consensus on VRS and a multitude of other issues, but the clock is ticking and somewhere before March 15, they need to come to consensus on the biennium budget.” Questions still remained but John knew he was getting to a point where he would not have any choice but to present a budget to the School Board based on a state budget that was not yet finalized. This was obviously problematic since any decisions made prior to the passing of the state budget would likely have to be revised.

Even though John had not proposed a budget, the public was still informed of the progress:

We put on where we are with our budget calendar and what we are doing on the district website. We have also used our communications team in every school to keep people informed. I have used *the Virginia Daily Education News* by forwarding it to principals and sharing it with the staff on a daily and weekly basis to keep them informed of where the General Assembly is. I feel as a result of that electronic format, along with personal communication, we are keeping people abreast of the budget process.

Because of this communication, John believed that people knew where he was in the budget process and why he had decided to delay it. He was not hearing an outcry from the public that other school divisions had already presented their budgets, but he knew he would not be able to delay a budget proposal much longer. John looked at his calendar and knew he was going to have to do what he did not want to do, present a budget based upon the proposed Governor’s budget without waiting for the General Assembly to approve the final budget. The clock was



ticking and John decided that he was going to present the budget to the School Board on March 12. He informed the public of his intention to present the budget. "I am troubled that the General Assembly has not come to a consensus yet on the budget but I have no choice but to go ahead and present a budget to the public." John believed he had waited as long as he could and that it was time for the public to see the proposed budget for the school division.

Before the School Board meeting, John looked at the proposed budget from the county. The proposed budget from the county administrator was posted on March 8 on the county website. The County Administrator uses the Memorandum of Understanding (MOU) when establishing the part of the budget involving the school division. The MOU is the local mechanism to establish the local appropriation in which the school division receives 65% of the five highest revenue streams for the county. The school division actually received an increase of \$85,000 from the previous year because of the increase of the property tax. John knew that he was going to need more funds from the county, but he did not know how much until the budget from the General Assembly was released. He continued to be hopeful that the county would work with the school division once figures came in the General Assembly.

John brought the budget for the school division to the March 12 School Board meeting. The first presentation of the meeting was from the salary committee. A member of the salary committee gave the presentation. This member of the salary committee will be given the pseudonym of Steve. Steve stated that morale among employees was at an all-time low. Steve also presented the committee proposal that employees receive a 3% increase. If the increase could not be given, then he recommended that the school division propose a new bonus similar to the one that was given out using the one-time jobs funds during the 2011-2012 school year where the employees received a \$1000 bonus in the November paycheck. Steve also proposed

that the school division continue to pay the full cost of benefits for retirees, pay the full cost of the health insurance for an individual, and increase the number of sick days a retiree is paid for from 150 to 175.

After a few more presentations, John walked up to the podium and presented his budget to the School Board. John first thanked everyone with whom he worked for their dedication on this budget. He also said Green Hill Public Schools was one of 20 school divisions that did not have to lay off any employees in the last year. John used a PowerPoint presentation to communicate his proposal. The theme of the budget presentation was doing more with less, proposing an elimination of 19 positions through retirement. Six of those positions were teacher or administrative and 13 were support personnel. Instructional supplies were cut by a fourth across the board. John explained that he was trying to protect personnel so that pupil-teacher ratios remained low. John said that if they saved \$50,000-\$60,000 by cutting supplies, then that put one more teacher back into the classroom.

He explained that many of the budget requests from the principals were included in the budget and complimented the principals for not asking for many additional personnel. Within John's budget proposal, there were provisions for student growth and teacher exits. If one school had an increased enrollment while one had a falling enrollment, then teachers could be shifted among schools. Also, if teachers left from core subjects such as math, science, English, and social studies, then some of those teachers would be replaced. If a teacher left from a subject that was considered an elective such as art or computer programming, then those teachers may not be replaced and the class could be eliminated.

John also detailed a summary of the expenditures for the school division. Figure 1 shows that the proposed budget for the school division is \$57,960,568.

Figure 1


*The Expenditures from the Proposed Budget for the School Division*

The Bottom Line Expenditures				
Operating Category	FY 2012	FY 2013	Dollar Change	% Change
Instruction	\$ 39,677,461	\$ 41,608,320	\$ 1,930,859	4.87%
Admin/Health	2,933,448	3,035,697	102,249	3.49%
Transportation	4,565,526	4,557,174	(8,352)	-0.18%
Oper & Maint	5,787,706	5,452,405	(335,301)	-5.79%
Facility/CO	313,965	293,965	(20,000)	-6.37%
Technology	2,293,432	2,508,665	215,233	9.38%
Contingency	35,000	35,000	-	0.00%
<b>Subtotal</b>	<b>\$ 55,606,538</b>	<b>\$ 57,491,226</b>	<b>\$ 1,884,688</b>	<b>3.39%</b>
Earmarked Grants	473,000	469,342	(3,658)	-0.77%
<b>Grand Total</b>	<b>\$ 56,079,538</b>	<b>\$ 57,960,568</b>	<b>\$ 1,881,030</b>	<b>3.35%</b>
Increase in proposed 2012-2013 operating budget entirely attributable to increased VRS rate				25

Figure 2 shows the proposed revenues for the school division.

Figure 2

*The Revenues from the Proposed Budget for the School Division*

The Bottom Line Revenues –				
 State*	\$ 34,447,475	\$ 35,875,728	\$ 1,428,253	4.15%
SFSF Stimulus	-	-	-	0.00%
Federal	5,538,079	5,860,151	322,072	5.82%
County	13,438,578	15,316,847	1,878,269	13.98%
Co Carry Over	-	-	-	-100.00%
Other	594,500	438,500	(156,000)	-26.24%
<b>Subtotal</b>	<b>\$ 54,018,632</b>	<b>\$ 57,491,226</b>	<b>\$ 3,472,594</b>	<b>6.43%</b>
Education Jobs Funds	1,587,906	-	(1,587,906)	100.00%
Earmarked Grants	473,000	469,342	(3,658)	-0.77%
<b>Grand Total</b>	<b>\$ 56,079,538</b>	<b>\$ 57,960,568</b>	<b>\$ 1,881,030</b>	<b>3.35%</b>
*State Revenues based on Senate's proposed budget				22

John indicated that the increase from the prior year is factoring in the \$1.8 million from the county. He also remarked that if the school division does not receive the full \$1.8 million then

these revenues will change accordingly. John finished his presentation with very few comments and questions asked. The School Board accepted the budget, which meant it would next go before the Board of Supervisors in April.

After the meeting, John began to personally reflect on the presentation from the salary committee.

I would certainly advocate to our School Board to give consideration to seek measures where we can save, so we can give another bonus or possibly generate a 1% raise across the board, but I still don't have concrete evidence from the General Assembly on what will be mandated by VRS. In the absence of having that, I also have to be cognizant that the county's revenue streams are flat.

John did not want to indicate that he was against raising the salaries for employees, even though he felt it was impossible in the existing economic climate.

In a further analysis of the budget, John stated that some items were protected in this budget such as "pupil teacher ratios first, materials and supplies as much as possible, maintenance of salaries, health-insurance cost, fuel, maintenance of the buildings in terms of the routine maintenance to keep the buildings operational." John expanded on why he protected these spending lines.

1. If you don't have facilities and a fleet for transporting kids that is reliable then we cannot do our job.
2. Once the kids do arrive, then we have to have the low pupil-teacher ratio and supplies for us to begin instruction.

3. Once services are given to kids, employees have to be reciprocated accordingly which means a maintenance of salaries, VRS, personal leave, sick leave, and medical benefits.

John stressed that it was important for these expenditures to be maintained, so the schools could continue to be accredited. These decisions were supported by his budget team. John reported that many employees from the schools provided valuable input that helped John and his budget team make decisions.

Overall, John felt like the proposed budget spoke to his values and the values of the community.

It maintains the pupil-teacher ratios, continuation of the current salary, VRS, and that of insurance rates for employees. So, employees may say, we haven't had a raise, which is true, but we haven't lost any jobs. We haven't laid anyone off but through attrition. We have maintained the continuation of services. Does that mean we like to continue in this pattern? No, we want to give raises and expand programs, but the revenues are not available.

March passed and there was still no finalized budget from the General Assembly meaning that John could not finalize his budget. If the General Assembly did not hurry and provide a finalized budget, then the budget for the school division would continue to be delayed. John was very hopeful that he would receive the figures from the General Assembly sometime in April.

## **April 2012**

April was the time for the Board of Supervisors to receive the school budget so a decision could be made on allocations. John met with the Board of Supervisors and School Board in a

joint meeting on April 4. John came up to the podium and explained the budget with the same PowerPoint he used at the March 12 School Board meeting. In an interview after the meeting, John gave a detailed description of what happened after his presentation. There was a debate with regard to the proposed \$1.8 million shortfall in the budget because of the VRS and health care increase. "I told the Board of Supervisors at this meeting that the school division needed help closing this shortfall." He reported that the response from the Board of Supervisors was, "We don't have the money through revenues to offset the increased need."

This is where I restated to them. You do have the money in the fund balance or you do have the money in other categories so that you may shift it from the utility fund, etc. because these are unique one-time needs that are imposed upon us by the state of Virginia. I also restated that it is not fair that county employees have always enjoyed receiving a higher retirement rate, 82% based upon their highest three years, since the state has been sending the county funds at the higher 17.7% VRS rate whereas school employees are quasi-state employees and the state has been only sending sufficient funds for school employees retirement to be 11.67%. The state is only simply trying to level the playing field but instead of adequately funding both county employees and school employees, they want the county to pick up the difference for school employees.

John described himself as forceful with the Board of Supervisors in telling them that the school division needed the full \$1.8 million.

Well, let's suppose if they give us \$1.3 million and we are \$500,000 shy then we don't have any more materials, supplies, fuel, electricity, buses, etc. we can cut. We would have to go into cutting additional personnel through attrition. That would be the tipping point for the quality of education.

John was fighting hard for this school division and he would not back down from this \$1.8 million. "This money was a need for the school division." He pointed out to the Board of Supervisors that the school division had returned \$9.6 million to the county over the last 10 years. Two years ago, when \$5.6 million was cut from the school division, the school division still returned money to the county. That money went into the fund balance and did not come

back to the school division. John reminded the Board of Supervisors that the school division has helped them out in the past by being economical and returning money. Now was time to return the favor by approving additional funds to cover the insurance and retirement deficits.

The meeting ended without a decision. John shared that he was hopeful that he had made progress in pressing the Board of Supervisors about the need for the \$1.8 million. Time was passing, and John was feeling the pressure of the need for an approved budget.

As I indicated to both the Board of Supervisors and the School Board on Wednesday night, we prefer to wait until the figures come and then we will decide. Let's suppose the week of April 16 through 20 no decision is rendered and we only have one more week before we are in May, that places a burden on the school division.

John explained that because of the delay in the budget decision, a number of decisions would be impacted.

1. It will be very difficult for us to determine a master schedule because we don't know how many positions will be funded. We need the number of positions funded so that we will know where we need to recruit. We need to start that as soon as possible because as school divisions begin to recruit for the same positions and the supply of personnel are pretty low, we are all facing the challenge of finding good experienced persons for the positions.
2. We need to provide contracts to people for stability. I do not want to go longer than June 1 and people say, "no decision has been made on contracts and I have to have a job. So, other school divisions have passed their budget and I know if I went with them, I would have a job." People would leave us inadvertently which would cause

us to have more openings, more need for recruitment, more instability once we have a budget in place.

For John, being in a holding pattern was high stress. He wanted to have this budget finalized so he could move on, but he was still hopeful that the state would somehow come to a consensus on the budget soon.

The School Board met on April 16 and it was apparent that the School Board and Board of Supervisors were still apart in the negotiations. One School Board member commented on the suggestion from a member of the Board of Supervisors that a school should be built on the military base in the county as a way to fix the budget issues. He made it clear that the school division would not ask the military base to build its own school because this base is a part of the community. The school division needed to do whatever it can to make the families and students feel welcome in the county. The School Board chair announced that he was disappointed with the joint meeting from April 4. He felt that more cuts were going to hurt the education of the students in the county. The chair's comments echoed the arguments made by John at the April 4<sup>th</sup> meeting with the Board of Supervisors that "education needs to be a priority in this county."

Even though the two boards were not on the same page, John was still hopeful he would be able to present a finalized budget to everyone soon. "We will do another budget proposal once the General Assembly figures are available, the School Board will have a work session and when that budget is approved, it will be submitted to the county for acceptance." John said that he would get together with his budget team to make changes to the budget before a final budget was presented.

Finally on April 18, the General Assembly passed its budget which meant it was time for John and his team to review the state budget and to make the necessary changes to the school



division budget. This budget contained two surprises that had ramifications for the division budget: vocational funds were re-instated and funds were provided for an EpiPen initiative required for Virginia school divisions.

There was nothing in this budget that was a complete shock. What we didn't know was whether the contribution to VRS would be 5% all at one time or a phase in of 1% each year for 5 consecutive years. All of those measures were discussed without knowledge of the General Assembly's decision.

The General Assembly left localities to decide whether to impose the full 5% at one time to employees or to phase it in 1% per year for five years. Regardless of which way the county decided to fund the VRS, John pointed out that the school division would still have to pay the full 5% for each employee. If the phase in option was chosen, then the employee would pay 1% for five years until the employee was paying the full 5% contribution. John said he would request a 1½% increase into each employee's paycheck.

When you phase in 1% for 1%, it will move you and I up into different tax brackets. It affects us in terms of our FICA and other state taxes. In order to make it even, you would have to go to 1½ % for some people, under that for some people, and above that for some people. So, the 1½ % was the middle of the road.

John also pointed out that if the phase in option was chosen, then any employee hired after July 1<sup>st</sup> would not be able to phase in their VRS contribution and would have to pay their full 5% contribution from the onset while still receiving a 1½% raise for five years.

However, John was completely caught off-guard on April 19 when the rates for term-life insurance came in.

We heard about VRS but we didn't hear about the term-life until now. All employees receive \$2000 of insurance coverage for each \$1000 they are paid in salary. You and I have the flexibility that we can increase it 3 times or 4 times by paying an extra cost. So, when those rates for Minnesota Life increased, it was unexpected expense to the school division and the cost of that to us was in excess of \$311,000.

This insurance increase put the school division in more of a budgetary bind. This was an unexpected expense and to pay for it, John knew that more materials and personnel may have to be cut.

A joint session between the Board of Supervisors and the School Board to discuss the budget was set for May 2. However, before that meeting could take place, John and his team had to meet with the School Board to educate them on the state's budget. That meeting took place on April 26 at the School Board office training room. John, his two assistant superintendents, and the financial director sat across the room from members of the School Board. John used a PowerPoint to inform the board on what the school division was facing and what the consequences would be if no additional money was allocated to the school division from the Board of Supervisors. John decided to focus this meeting on three major funding aspects from the General Assembly budget: the VRS increase, restorations to Vocational funding, and the EpiPen grant.

The biggest change was the impact of the VRS increase, and it required John to inform the School Board so that they could understand these critical budget issues for the school division. They looked at what the school division was paying and compared it to what county employees were paying.

County employees pay an 18.72% VRS contribution as opposed to what the school division employees are obligated to pay which is an 11.93% VRS contribution. Effective

July 1, the school division rates will go up to 17.77%. We have no choice, it has to be paid and that increase represents a 1.8 million increase in costs or 49% rate hike in one year. On the county side, their VRS contribution goes from 18.72% to 21.15%. For the first time in many years, the retirement paid to VRS for school personnel would have been on parity with county employees had there not been an increase on their side as well. The cost for the school employees is \$1,845,610, the increase for the county is \$248,278.

So, this was a situation where the school division and the county did not have any choice. These increases had to be paid.

John also had to help the School Board understand that the increase in funds for vocational training in the General Assembly budget wasn't really an increase at all. They were a restoration of funds that were previously cut from the Governor's budget.

Let's suppose we received \$100 per child, per class for career and technical education for 2011-2012. When the Governor's proposed budget came out for 2012-2013, they had slashed that \$100 to \$50 per child, per class. No rhyme or reason as to why they did it. So, it was very difficult for us as a school division to understand why that was the chosen area. When the General Assembly went all the way through their session, they reinstated the funding level back to 100% for career and technical institute.

John pondered the reason behind the reason behind the restoration of these funds. "My only thought could be that the General Assembly found additional funds coming from another revenue stream at the state level that allowed them to restore the funds."

The EpiPen action from the General Assembly was an \$886 grant to fund the purchase of EpiPens for the school division. According to this new law, school divisions were to be provided with this grant to purchase EpiPens so which could be administered by anyone in the school division who is knowledgeable of a student's health needs without the risk of being held liable of

malpractice. John said this new law was passed because a student in a Virginia school division died of anaphylactic shock and the parent did not provide the school division with an EpiPen.

John had some concerns with this new law. “The law does not provide enough money for services.” How was it determined how much money each school division would receive?

The General Assembly took so much money out of basic aid from all of the divisions and they used that as a formula to decide how much they would redistribute to each school division for 2012-2013 only. They pulled the money out of the basic aid fund that would have normally come to us. They are only funding a partial amount for EpiPens for 2012-2013

John said it would take about \$3500 to purchase enough EpiPens for all of the schools in the school division with only \$886 provided from state funding.

Money was not the only concern for John as it pertained to this law. “It is a kneejerk reaction to parents' or guardians' failure to provide schools with the proper medication as prescribed by the physician.” John said this law was a reaction to the student in the local school division dying of anaphylactic shock when the parent did not provide the school division with an EpiPen. John felt it was the responsibility of the parents to provide the EpiPens to the school division. “It is the responsibility of the parents to inform us if the child has been diagnosed with an allergen and to provide us with the device or medication to use when needed.” John said according to the law, the division will keep at least two EpiPens at each school at all times and use those in the absence of a parent failing to provide the school with an EpiPen.

John ended the meeting with the updated revenues from the General Assembly budget.

Figure 3

*The Revenues if the School Division Receives the Full \$1.8 million from the Board of Supervisors*

REVISED REVENUES				
Source	FY 2012	FY 2013	Dollar Change	% Change
State*	\$ 34,447,475	\$ 35,977,345	\$ 1,529,870	4.44%
SFSF Stimulus	-	-	-	0.00%
Federal	5,538,079	5,864,106	326,027	5.89%
County	13,438,578	15,318,847	1,878,269	13.98%
Co Carry Over	-	-	-	0.00%
Other	594,500	438,500	(156,000)	-26.24%
Subtotal	\$ 54,018,632	\$ 57,596,798	\$ 3,578,166	6.62%
Education Jobs Funds	1,587,906	-	(1,587,906)	-100.00%
Earmarked Grants	473,000	469,342	(3,658)	-0.77%
Grand Total	\$ 56,079,538	\$ 58,066,140	\$ 1,986,602	3.54%

County revenues UNKNOWN - Superintendent's Request reflected

Figure 4

*The Revenues if the School Division Does Not Receive Any Money from the Board of Supervisors*

REVISED REVENUES - NO ADDED LOCAL ASSISTANCE				
Source	FY 2012	FY 2013	Dollar Change	% Change
State*	\$ 34,447,475	\$ 35,977,345	\$ 1,529,870	4.44%
SFSF Stimulus	-	-	-	0.00%
Federal	5,538,079	5,864,106	326,027	5.89%
County	13,438,578	13,526,254	87,676	0.65%
Co Carry Over	-	-	-	0.00%
Other	594,500	438,500	(156,000)	-26.24%
Subtotal	\$ 54,018,632	\$ 55,806,205	\$ 1,787,573	3.31%
Education Jobs Funds	1,587,906	-	(1,587,906)	-100.00%
Earmarked Grants	473,000	469,342	(3,658)	-0.77%
Grand Total	\$ 56,079,538	\$ 56,275,547	\$ 196,009	0.35%

Local Revenues Reflected at County Administrator's proposed

The presentation ended with everyone agreeing to push the Board of Supervisors to provide the school division with the \$1.8 million.

April ended with the school division budget in the hands of the Board of Supervisors. The question John turned over in his mind was whether the Board of Supervisors would help out the school division and provide the funds. John knew that May was going to be a busy month convincing the Board of Supervisors to help out the school division financially. John was hopeful that the budget would be finalized in May.

## **May 2012**

The School Board and the Board of Supervisors came together on May 2 for a joint work session. The board room was packed with educators and John sat across from the two boards. John opened the meeting by updating the Board of Supervisors in the same manner as he had briefed the School Board at the April 26<sup>th</sup> meeting, using the same PowerPoint .

Everyone sat quietly as John presented his budget to both boards. Once John was finished, it was time for a discussion about how the School Board and Board of Supervisors could work together to fund these increases in the budget. Members of the Board of Supervisors had some suggestions.

One member of the Board of Supervisors suggested approving the school budget as it was and having a resolution that they would fund the \$1.8 million if the school system needed that in the last quarter of operation. So, that person suggested as we move into the last quarter and if we see we actually needed the full \$1.8 million or if we had underspent in areas thus had some savings, we may only need \$1.1 million and the Board of Supervisors would get to keep \$700,000.

John was not keen on that idea. “Such an agreement might be interpreted by some as the Board of Supervisors not trusting the School Board.”

John said that the Board of Supervisors had another idea. “Ok, go ahead and bite the bullet now and reduce the personnel because no one knows if there will be an increase in VRS next year.” John said he disagreed with this second option as well because he did not see any more possible increases coming from VRS for at least the next five to eight years. “I came to that conclusion because the Joint Legislative Audit Committee has stated that VRS increases could have been delayed, but the General Assembly, with the support of the governor, implemented changes.”

The meeting ended with no resolution to the \$1.8 million appropriation. The School Board needed an increase to provide services to the school division, and the Board of Supervisors responded that they would see what could be done. In thinking about what this meeting accomplished, John explained:

We have now openly stated to both boards as to what the General Assembly will fund so we know state revenues, we know federal revenues, and we know what the need is locally.

John felt he and his team had educated both boards fully on what the needs were. Both did agree at the end of the meeting to work together to figure out a solution, but time was running out. John warned that if there were no budget adopted by July 1, then the school division would possibly have to shut down.

John believed that the Board of Supervisors had some options to access money and thus, would be able to provide the school division with the \$1.8 million.

1. The Board of Supervisors has the ability to pull the money from the fund balance.
2. They also have the ability to seek a tax increase to offset the additional amount needed by the school system.

John described how the fund balance could be used to close the budget gap.

The fund balance is excess funds collected from the tax payers that would not be used in overall county expenditures for day to day operations. Hopefully, your revenues based upon taxation will exceed expenditures and any excess revenues would go into that fund balance. The money in the fund can be used for capital outlay for debt management when constructing buildings. It can be used for a rainy day fund for situations like we are faced with this year. It can also be used for expansion of programs when a mandate calls for it.

John said that the situation the school division was in warranted use of the fund balance as a rainy day fund. When asked why the Board of Supervisors might not use this fund, John responded that, “Their concern is that expenditures are higher this year than the revenues that were coming in, so now would not be a good time to pull from the fund.”

The Board of Supervisors also had option two, raising taxes, at its disposal. “The Board of Supervisors recently raised personal property taxes, and they are advocating no change in the real estate tax but they could go back, have a public hearing, and make a recommendation to increase real estate taxes as well.” John pointed out that the personal property tax already had been raised to generate more revenue for the county. Therefore, if the county needed to raise more taxes to generate more money for the school division to help fund this \$1.8 million mandate, that option was still on the table. John said he did not know if the public would approve another tax increase in this current economic climate, but it was still another option to consider.

Even with these options and the promise that both boards would work together on a solution, John felt that these two boards had lost trust as a result of the state mandated VRS



increase and the needed local revenue to meet that increase. John felt that the loss of trust among political bodies was going to be a major consequence of this budget process.

The Governor was instrumental in orchestrating the move for the General Assembly to increase the VRS rate. Once he did that, he did it in a very sublime way. He waited until the last minute of the General Assembly so no one knew exactly what would be the final decision. That didn't happen until April 18, right before the last hour when they voted. This last-minute decision was a time-crunch for everyone. The budget adoption was already past John's middle of March expectation. John felt that the General Assembly last minute decision on VRS caused undue stress on the budget process at the local level. "The last minute vote by the General Assembly has caused opposition and distrust between the School Board and the local governing body." John put a lot of blame on the state for the loss in trust. "It has impeded the working relationship that has been established over the years, and it has caused a fracture in that relationship, which will take years to repair locally as a result of state politically meandering."

Personally, John felt that while the boards needed to come together on a budget soon, the School Board needed to stand its ground against the Board of Supervisors.

I think it is important for the School Board not to recede in terms of the request of \$1.8 million. The school division has already cut \$1.3 million. We did not ask for the \$1.8 million increase, 49% rate hike, in VRS. If the division backs up and cuts an additional amount, then it basically acquiesces to the Board of Supervisors belief that the school division could cut more and continue to operate.

The Board of Supervisors would have the final say on this budget, but John felt like he and the School Board had presented a compelling case to them.

You (Board of Supervisors) have cut 1.3 million. We (School Division) are only asking for the amount of increase that was imposed on us under the VRS increase. We wouldn't ask for that if we didn't have the need.

John worried that a lack of trust between the two boards could harm the school division's chances of receiving the full \$1.8 million.

If there is no trust in the facts then that leaves me to believe that the Board of Supervisors doesn't truly understand the organization, the duties of each person, and the operation and output required. They simply see it in terms of dollars to save money.

Even with the trust issue, John continued to remain optimistic that the two boards could come together, and the school division would receive the full \$1.8 million.

The next Board of Supervisors meeting was scheduled for May 8. John used the week leading up to the meeting to meet daily with his two assistant superintendents and finance director to discuss the budget. With the Board of Supervisors being the fiscal agents in the locality, John knew he would need the support of the employees in the school division to help persuade the Board of Supervisors to back the school division. He advocated by email during the week, asking employees to speak at the upcoming meeting and let their feelings be known.

The board room was standing room only for the May 8 Board of Supervisors meeting. A decision on the budget was not scheduled for this meeting. There were three people, all teachers, who stood up and spoke during the public comment section at the beginning of the meeting. They all gave speeches urging the Board of Supervisors to support the school division and allocate the necessary funds to the school division. John was thankful for the support at the meeting and he thanked the speakers the next day in an e-mail to all of the employees in the school division. John wondered if this support would be enough to sway the Board of

Supervisors to support the school division. No decision on the budget was rendered at this meeting.

On May 11, a memo was released by the county administrator. This memo demonstrated that tension continued to exist between the Board of Supervisors and the School Board. The memo defended the Board of Supervisors against community criticism that the supervisors were anti-education. It also criticized the School Board for not being entirely forthcoming with all of the facts surrounding the budget process. A copy of the memo is in Appendix J. John had a response to this memo.

His statements are a reflection, I believe, of the e-mails, phone calls, personal contacts, personal comments, that have been by the citizens in the county regarding the proposed school budget. His comments also reflect his view as a county administrator to support his position as county administrator in doing what he was recommended to do in forming the budget. He followed the memorandum of understanding. When he was following the memorandum of understanding, no one knew at that time from the budget from the General Assembly because it hadn't been passed. The budget was proposed to him from the county prospective around March 1. The General Assembly did not pass their budget until April 18<sup>th</sup>. The County Administrator claimed he based his budget on the MOU between the county and the school division.

John gave his account of what the county administrator was thinking during the development of the budget.

I developed a budget in good faith upon the need and now all the sudden you are telling me there is a larger need. You should have told me early on. We could have amended the MOU.

John said that is not entirely accurate because a budget cannot be based on rumors, it had to be based on something that was finalized and the General Assembly did not have a finalized budget by March 1. Overall, John did not put any blame on the county administrator for developing his budget.

The county administrator was just simply doing his job in developing the budget. The school division and the county cannot hold it against him that no one knew the General Assembly would impose a 349% increase in terms of VRS.

Regardless of who was to blame for the budget crisis, the budget was still causing division and trust issues between the School Board and the Board of Supervisors.

Even with the trust issues, John continued to work behind the scenes on the budget during the next two weeks in May. Daily, he continued to meet with the two assistant superintendents and the finance director, but one meeting during the week also included the directors and principals to keep them up to date on the budget process. John also was meeting regularly with members of both the School Board and the Board of Supervisors to persuade them while trying to be a calming force between the two boards.

I have been sharing information with School Board members as they need additional data to substantiate their position so that as they meet and arbitrate with Board of Supervisors members, they will be able to answer questions, finding a mutual solution to allow funding of the proposed budget.

At this point, the School Board was receiving information from John in a rolling format, documenting what the school division would lose as the \$1.8 million was reduced.

If we receive \$1.8 million then these are all of the positions that we will be able to fill and the impact in terms of pupil-teacher ratio. If we only receive \$1.7 million then we show how many positions we cannot fill. We do the same thing for \$1.6 million, \$1.5 million, \$1.4 million, all the way down.

In regard to the Board of Supervisors, John said, "I continue to meet with the county administrator monthly and individual board members may call me or e-mail me and ask

questions in regard to the budget and what if we did this and what if we did that.” The Board of Supervisors had questions for John. Those questions and responses were,

1. Who will be laid off? No one will be laid off, but we will not fill some positions of people leaving or retiring.
2. How will you be able to replace textbooks over time? We will pick out what textbooks we want to adopt, but we will delay adopting some of the textbooks because of financial situation.
3. Would you be able to save any money that can be used toward busses? Yes, we should be able to use end of the year money for this current year to purchase five busses.

John also continued to keep school division employees and community updated through e-mails and updates on the school division website. He did this to keep them updated not only because they were big stakeholders in this budget but also to encourage them to continue to work for community support.

I am trying to keep all our constituents, every employee, knowledgeable of what is taking place here and what is taking place across the state of Virginia. The reason I do this is so that I can continue to educate them on every move of the budget so that I can continue to advocate their support. I ask them to reach out to parents and students to develop further support of this budget because we are at the threshold if we continue to reduce personnel, we reduce the quality of education.

John knew this was a critical time, and he knew that he could not do this alone. The School Board helped John advocate for the budget with the public urging them to talk and e-mail their

representative for the Board of Supervisors to support the school division during this budget process.

All of this advocating and working on the budget was taking a toll on John. John shared that the process continued to be stressful, but that he had his reasons on why he continued to fight so hard for this budget.

Yes, it takes more hours of time and involvement, but then again that is reciprocated back in terms of positives when the quality of education is maintained for the next year. You also have happy employees who have positive morale.

John felt that happy employees would translate to better teaching in the classroom, but he also felt that low morale could have a severe impact on classroom instruction. He worried that if any more was cut from the budget then morale would continue to drop.

John worried about the fourth year of no salary increase for employees and a simultaneous increase in benefit cost passed along to employees.

Morale is already low by virtue of staff not having any increase in pay from the three previous years, now we add on the controversy of increased health care costs at a time when there has been no previous increase.

The health insurance premium for single individuals was not going to increase from the previous year but the health insurance for families was going up \$375 a month. John said that many employees have expressed major concerns to him over these increases.

1. I have had some employees tell me, I am already working one extra job to make ends meet now. I now have to look at increasing the number of hours I have on two extra jobs to offset the increased benefit costs to me.

2. I have had some other employees tell me, I am looking to leave public education altogether because of no increase in pay and an increase in benefit costs. The private sector would pay me more and provide other benefits.

John believed that virtually every school division in Virginia was in the same boat in terms of VRS increase and health insurance increases. He said he did not know when the battle for this budget was going to end but that he was hopeful that a conclusion to this budget would be reached by the May 22 Board of Supervisors meeting. The clock was ticking.

As the month continued, John worked hard on budget negotiations. He still held meetings and continued to keep people informed. However, John was becoming less optimistic that the division would receive the full \$1.8 million from the Board of Supervisors. He said he would not know until the May 22 meeting how much the Board of Supervisors would give the school division.

At this point, John said the negotiations between the School Board and Board of Supervisors had stalled and the Board of Supervisors was asking the school division to trim more of the budget because the county could not afford to give the school division the whole \$1.8 million. Instead of the debate being about the \$1.8 million, it was now about the bare minimum the school division could accept and be able to fully function. It was back to the drawing board for John and the School Board to see where more expenditures could be cut.

May 22 arrived and the board room was packed with educators for the Board of Supervisors meeting. The Board of Supervisors had finally reached a resolution on the amount of money the school division would receive. The Board of Supervisors chair stated,

The two boards have worked hard together to resolve an unfunded state mandate, mainly, the VRS contribution. Fortunately, administration and staff along with the two boards

have brought us to a resolution. There has never been any attempt by this board to shortchange the education of any child in (Green Hill County).

Another board member was given the duty to announce the motion to the audience. That board member stated,

Budgets are a hard thing to have to figure out when you are trying to predict 12 months of expenditures, 14 months out. You always try to do the best you can do and come up with a figure that makes sense in order to retain the teachers and the programs that you have in place currently in our system. I thank Mr. (School Board Member) who is here this evening for the numerous phone calls and your work with the School Board to come up with a figure, a figure that was presented to this board that will be in the motion that I make right now. Mr. Chairman I make a motion to direct staff to place in the budget to be adopted on June 12, 2012, a local transfer of funds to the school operating account \$13, 526, 254 with an additional \$1.277 million transferred to the school contingency account for a total fiscal year of 2012/2013 transfer of \$14,803,254. The school's contingency account will be held until the county and School Boards meet in April 2013 to discuss the first three-quarters of the fiscal year. At that time, the Board of Supervisors can elect to allow for the transfer of the contingencies for proven areas of need. The transfer of the funds to the school operating account will continue on a quarterly basis as it has been, with the exception of the \$1.277 million. After the joint meeting, the Board of Supervisors will direct staff on the amount of the fourth quarter transfer. This was my motion and this is the work that has gone on behind the scenes and in public with the School Board and the Board of Supervisors. That was the figure that they think that they will be short. We will have that money set aside for them and at the last quarter of 2013. They will identify their needs and that money would be available to them if they need it.

People in the audience looked around the room. It seemed that there was confusion on the motion amongst the people in the audience. Everybody had been hearing about the school division needing \$1.8 million but it seemed like the school division was only getting \$1.277 million. John also was learning the appropriation at the same time as everyone in the room. "I had some sort of idea, but I was not sure what the appropriation would be until it was read at the Board of Supervisors meeting."

What exactly did this motion mean for the school division? John provided some clarity on the motion.



Since the appropriation of the \$1.277 million on May 22, 2012, the motion stated that the additional amount would be added to the \$13 million and some odd dollars and it would only be provided to the school division after there was an April 2013 joint meeting between the School Board and the Board of Supervisors. If the expenditures, after a review of the previous three quarters, necessitated transfer of funds, then the school division would receive the money.

The School Board had a different, more sinister, interpretation of what the motion meant.

The School Board interpreted this as a possibility that the Board of Supervisors would not provide the funds and decided to request a legal opinion from the School Board attorney. The School Board attorney responded back that School Board funds are either lump sum given or categorically given and that it is very unusual for it to be comingled lump sum and categorical. In particular categorical where by the money is specified by the appropriating authority in a specific account and cannot be used until a certain date, after a joint meeting. So, the School Board attorney reviewed and suggested that the motion and resolution be revised.

The School Board was concerned that the money would not be there during the fourth quarter.

This information was shared with the county administrator and the Board of Supervisors. John gave an account of the response the county administrator had for the School Board.

The county administrator has submitted an opinion back saying that what they are proposing is legal. Yes, the money is being recommended for appropriation. Yes, it would be appropriated in totality if there is a need after the April, 2013 joint meeting.

John said the School Board did not want to construct a budget based on not knowing whether the Board of Supervisors would provide the funds to the school division. Of course, if the school division did not receive the full \$1.277 million, it would mean more cuts.

We will definitely cut the non-personnel items first. Those items include materials, supplies, heating oil, utilities, travel, association memberships, textbooks, roof

replacements, and improvements to sites. Basically, all items of that nature that we can cut and still operate. Then, we will go into personnel and benefits.

In terms of personnel, John said the school division would have to cut an additional 18 positions on top of what has been cut so far. This whole \$1.277 appropriation was still an unknown for the school division. Although the motion was meant to put an end to this issue, it caused more tension and division between the School Board and the Board of Supervisors.

John wondered why the Board of Supervisors would not give the school division the full amount. He took issue with this because he said the school division has a history of being fiscally responsible with the money allocated to it.

Each and every year the School Board has been fiscally responsible. They have returned money at the conclusion of each year to the county. If you go back over a nine year period, they have returned upwards of 9 to 10 million dollars to the county. Why now all of the specific language in limiting the money to a contingency fund and then having a joint meeting to look at the expenditures of the school division? The school division is on track to return \$500,000 to the county for the 2011/2012 school year.

John said the Board of Supervisors would make a decision on how much of the \$1.277 million they would release based on an analysis of the expenditures in April, 2013. The School Board just did not see this as a viable option.

The School Board told the Board of Supervisors, go back and do the right thing in terms of revising the motion. We need the flexibility of the total appropriation. If you want to give us the total amount of \$14 million plus in lump sum or categorical then give us that flexibility but don't comingle the funds and don't place the funds with specific

requirements in one category and we can't use it until a certain date and it meets the whims of your authority.

The bickering between the two boards over this appropriation showed that there was still a trust issue between the two boards.

John was adamant during the budget process that the school division receive the full \$1.8 million but he felt that the School Board had made a concession with the Board of Supervisors by going back and making more cuts.

The Board of Supervisors members approached the School Board members behind the scenes, one on one, two on two. The Board of Supervisors members communicated to the School Board members that if the county cannot really afford the full \$1.8 million, can the school division go back and make more reductions and cuts? The School Board internalized that, in a good faith effort, and agreed to try to find areas to cut.

What type of additional cuts did the School Board have to make? John stated,

The School Board and I went back and looked at increasing the pupil-teacher ratios. That was the biggest thing. They also looked at reducing supplies, reviewed the market analysis for fuel since the market had come down, reviewed the energy in terms of our actual use since we had a milder winter, looked at shifting funds from that of site improvements to personnel, and looked at the participation rate for the health insurance the school division provides. We project at 100% participation but our participation rate on average has been 85% in past years. This year has bumped up to 90% and we are already enrolled for 2012-2013 for 92%.

If the school division did not receive the full \$1.277 million from the Board of Supervisors then 40 personnel would need to be cut. That number would be rolled back to 28 if the school division received the full \$1.277 million. "No one would be losing their job through reduction in force, all of the persons whose positions would be vacated would be individuals who would be retiring or leaving for other reasons." In addition, two assistant principal positions opened up

and they were shifted from 12-month positions to 11-month positions to save money in the budget.

John worried that making these additional cuts and raising the pupil-teacher ratio, would diminish the quality of education.

The Standards of Quality indicate that at specific levels at elementary we could do between 24 to 1 and 26 to 1, same thing at secondary. We have prided ourselves on having lower pupil teacher ratios. Those ratios being low have allowed our teachers to really provide differentiated instruction. We have high overall standardized scores and achievement by students. What is going to be interesting is, if we look at pupil teacher ratios for this year (2011-2012), 20 to 1 for elementary, 24 to 1 for secondary, next year (2012-2013) we bump it up to 23 to 1 elementary, 26 to 1 secondary, will we maintain the same quality of education?

John predicted that higher pupil teacher ratio would impact the quality of education. He planned to monitor achievement throughout the 2012-2013 by analyzing report cards, benchmark tests at the end of the nine-weeks, and SOL test scores.

Overall, John felt like the School Board had done the right thing in making the additional cuts to help out the Board of Supervisors. Now, it was time for the Board of Supervisors to do the right thing in terms of appropriating the money to the school division.

## **June 2012**

It was now June and the clock was ticking. The end of the budget year was coming on June 30.

June 11, 2012, is our regular monthly School Board meeting. There would not be any budget action at that meeting simply because the School Board will be waiting on the Board of Supervisors to focus on the motion and resolution during their regular June 12 meeting. The School Board will more than likely reconvene for a budget work session on June 13 to make any modifications to the school budget based on changes in the

resolution of \$1.277 million. The budget would then be advertised for the public to view.

Then the public will be given a chance to make comments on the budget.

John predicted that this would be completed by July 1. The boards had to come together with some sort of agreement in order to meet that deadline.

A question still remained about contracts? I am sure that employees were anxious to know when their contracts would be approved and submitted to them.

The School Board approved reappointment of personnel on June 6, 2012. The Board of Supervisors chose to do a 1½% salary increase each year so we are getting contracts ready based upon the 1½% pay raise to offset to offset that 1% increase from VRS. The employees should receive their contracts either June 13, 14, or 15.

John continued to disagree with the phase in of the VRS increase. John said he would have preferred to implement the whole VRS rate at one time but was forced to abide by the decision of the Board of Supervisors.

If we would have implemented everything at one time, it would have been around \$450,000. Implementing the VRS increase over a 5 year period will make costs swell.

The cost for us this year is \$212,000. If you multiply that 5 times, then you have a million dollars. So if you take the million and subtract the \$400,000 if it was implemented at one time then it is \$600,000. Now, the county said they didn't have the money or revenue for purposes to assist us with that endeavor. They did, it is in the fund balance. That is their call. .

Another question remained: How could the school division send out contracts without a finalized budget?

We have 97% of our budget completed which can absorb the personnel and benefits across the board. It's that other 3% that we want to earmark for personnel and benefits but we will have to shift it categorically to operations for purposes of documenting the funds. Either way, if we don't receive the money we have to lower our expenditures to balance out the budget.

Basically, enough of the budget was finalized that contracts could be submitted to the employees. John said that this was not the ideal option but it was the only option they had at the time.

The June 11 School Board meeting arrived. "The School Board informed the members of the audience that the Board of Supervisors would be reviewing the \$1.277 million resolution during their June 12 bi-monthly meeting." At the June 12 Board of Supervisors meeting, the board room was packed with residents, mainly educators. The Board of Supervisors had come to an agreement with the School Board in regards to the resolution.

The Board of Supervisors had talked among themselves and they agreed that the resolution was written in such a manner that it limited the ability of the school division to appropriately use the money. As a result, the resolution was redone where by the \$1.277 million additional appropriation was added to provide an overall appropriation of \$14 million plus, and it allowed the school division to use the money unrestricted.

The school division would be given the entire \$1.277 million now and they could use the money in any way to help balance the budget. Now, it was time for John and his team to work with the School Board to redo the budget to include the \$1.277 million. The schedule was to have a completed budget for approval at a special School Board meeting on June 22.

John received some good news before the June 22 meeting. Back in December during all of the uncertainty, it was not known when the VRS increase would begin. Would the school

division be obligated to start paying the increase at the beginning of 2012? John had the school division set aside the money for the VRS increase each month until an answer came from the state. That answer came during the week of June 17. The VRS increase would not start until July 1<sup>st</sup>. Because of John's planning, the school division had \$328,000 saved that could be used to hire back personnel and buy supplies. This was a welcome surprise for John as this offset the increase from the term-life insurance.

A surprise did catch John off guard on the evening of June 21. He received notification from the federal government that 8% of the Title 1 grant would be cut. That resulted in a cut of \$108,000. That was equal to the pay of four highly qualified aides. “We basically shifted those positions into positions where people had retired.” The positions of the people who retired were going to be filled anyways. The result was the loss of four highly qualified aides away from the school division.

The meeting on June 22 began at 8 am. This was the day when John presented the budget to the School Board that included the \$1.277 appropriation. It was a short meeting, and the chair motioned to accept the budget as presented. The budget could not be officially approved until after the mandatory 10-day waiting period. With the school division shutting down Wednesday, Thursday, and Friday the July 4<sup>th</sup> week, the next School Board meeting was scheduled for July 9. At that meeting, a public comment section would be held and then, if there were no issues, the budget would be approved.

## **July 2012**

The July 9 meeting arrived to little fanfare. The audience area was only about a quarter full. This was an opportunity for the public to speak about the budget. No one spoke at the

public comment and the budget was passed. Figure 4 shows the final revenue figures for the 2012/2013 budget.

Figure 5

*The Revenues from the Final Budget*

2012-2013 BUDGETED SCHOOL BOARD REVENUES  
BUDGET SCHOOL BOARD FOR CONSIDERATION BUDGET JUNE 2012  
BASED ON GENERAL ASSEMBLY'S PROPOSED BIENNIAL BUDGET

REVENUE COMPARISON

Category	FY 2011-2012 Amount	FY 2012-2013 Amount	Difference	%
Other	\$ 594,500	\$ 438,500	\$ (156,000)	-26.24%
* State	\$ 34,447,475	\$ 35,977,345	\$ 1,529,870	4.44%
SFSF Stimulus	\$ -	\$ -	\$ -	0.00%
Federal	\$ 5,538,079	\$ 5,864,106	\$ 326,027	5.89%
** County	\$ 13,438,578	\$ 14,803,254	\$ 1,364,676	10.15%
Co Contingency Appropriatio	\$ -	\$ -	\$ -	0.00%
Subtotal	\$ 54,018,632	\$ 57,083,205	\$ 3,064,573	5.67%
Education Jobs Funds	\$ 1,587,906	\$ -	\$ (1,587,906)	100.00%
Earmarked Fed Grants	\$ 473,000	\$ 469,342	\$ (3,658)	-0.77%
Grand Total	\$ 56,079,538	\$ 57,552,547	\$ 1,473,009	2.63%

\* State revenue based on General Assembly's biennial state budget; proposed April 18, 2012.

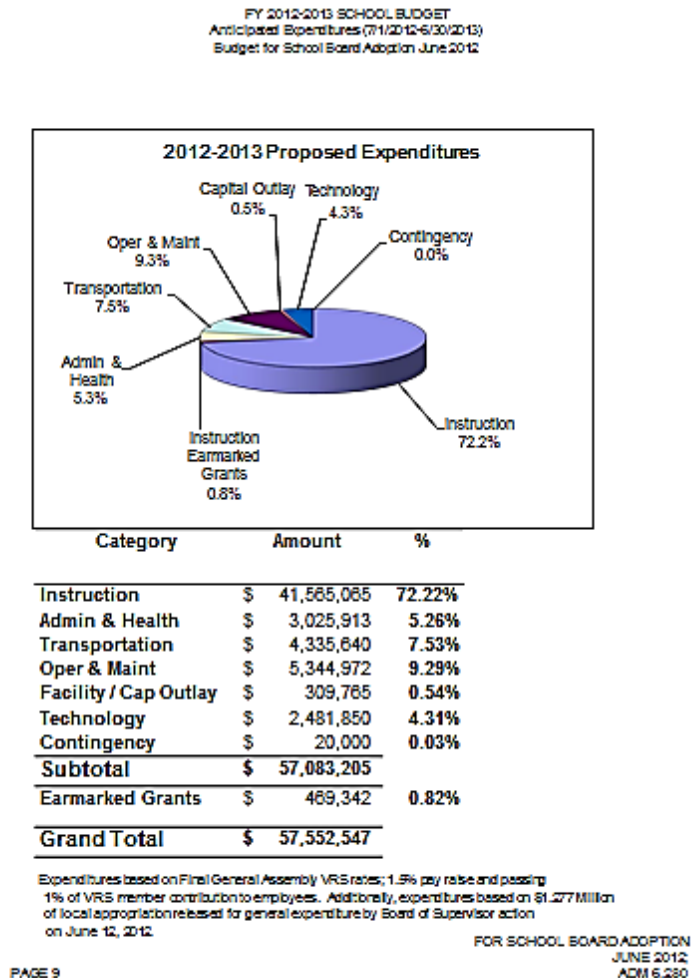
\*\* County funds shown at final amount with entire \$1.277 Million release for use by Board of Supervisor action on June 12, 2012.

Figure 6 shows the final expenditures in the final budget.



Figure 6

*The Expenditures from the Final Budget*



Everyone was relieved, especially John. He said that no one spoke at the meeting because everybody was just burned out. John did comment after the meeting that the school division decided not to go with his proposal to subcontract out the custodians. The calendar committee also decided to go with the same calendar format that had been used during the 2011/2012 school year and not add an additional fifteen minutes to each day.

The budget process was over for the 2012/2013 school year but there was no time for John to rest. It was time to begin the process again with a detailed analysis of expenditures by

month in John's July meetings with his budget team. The budget process was about to begin again for 2013/2014.

## **Conclusion**

“This was the toughest budget year I have ever faced.” John compared this budget to his first budget in 2009/2010. “This budget was very much like the 2009/2010 school year budget that passed on June 8 and June 11 we had graduation.” Of course, the 2012/2013 budget was much more delayed and John agreed it was a unique year.

Technically, the appropriation for the school division 2012/2013 has already been approved as of June 12, 2012 by the Board of Supervisors. That was approved before the school division finalized the amount for the school division’s budget. That is a very awkward process because technically the appropriation is provided during the work session, and then we have submitted an approved budget to the Board of Supervisors before they adopt the overall county budget. This year, the appropriation was done in the absence of the county finalizing their overall county budget. This is the only time in my 37 years in public education I have ever seen it done this way.

John walked in uncharted territory during the 2012/2013 budget process. John was not sure if he will ever face a budget like this again.

John said the analysis performed on items this year was different than in years past to look at everything to see where even more money could be saved.

Each and every year we have analyzed each of the areas in depth. Intrinsically, we have analyzed every aspect of each line item multiple times, this year more so than in previous years. We have looked deeper in terms of product longevity. For example, buying busses in terms of maximizing the number of miles per gallon and guarantees where the life of the busses can go 500,000 miles instead of 250,000 miles. We looked at energy consumption to see how much we can reduce the lighting to see if we have the same ability to operate. We looked at shortening the number of days we are operating in the

building but lengthen the instructional time during the day, would that impact instruction and allow us to have savings in fuel? John said that he has always advocated saving money whenever possible but this year had really changed the thinking of many people in the division. John said he was going to work with everyone in the school division to continue to find ways the school division can be more efficient in the future and save money.

In John's overall reflection of this budget year, he continued to worry about the possible harm to the relationships amongst the decision makers in the county, most notably the School Board and the Board of Supervisors.

The political interaction between the two boards has been orchestrated differently this year than previously, not because of what we did locally but because of what was imposed upon the operating body by the General Assembly indirectly. So, as a result of that, the Board of Supervisors felt like they were imposed upon to provide for an unfunded mandate, VRS.

John believed that the Board of Supervisors did not have experience dealing with unfunded mandates, unlike the School Board.

I believe the Board of Supervisors has never had to deal with an unfunded mandate. The school division has always had to deal with unfunded mandates. For example, this year making sure we have funding for the economics and personal finance class which is an unfunded mandate.

This lack of experience resulted in hostile interactions between the boards.

This caused a different type of conversation, and that conversation was adversarial. Why is this being done? What are you going to do to find the money internally to offset the increase in benefits? Well, the School Board was then caught with a double whammy.

How to maintain the quality of instruction? How to meet the state criteria in terms of benefits? The School Board has never had to deal with that before.

John said that this unfunded mandate basically caused chaos between the two boards. In all of the bickering and arguing, John never truly thought that the Board of Supervisors did not want to help the school division, but he understood that the Board of Supervisors had other responsibilities.

I certainly believe that both groups may have had differences of opinion but both groups knew there was a need for funding to ensure that education was a quality education because you only have one chance to get one. I don't think it was ever a point that the Board of Supervisors didn't want to give us the money but they also had to adequately provide for all of the other departments and plan for the future simultaneously.

With the relationship strained by the end of the year, John had to think about how to build trust in 2012/2013.

## **Chapter 5: Findings**

### **Introduction**

The research produced findings that answered both research questions. John worked with a budget team throughout the process. This budget process was very stressful for him. He had unexpected expenses occur that required him to demonstrate flexibility and propose creative ways to reduce funds in the budget. Values were also displayed during this budget process. Those values were compliance with the rules, keeping the quality of education high, relationships and trust, and transparency. As a researcher, I did have limitations but I developed strategies that helped me deal with the limitations.

### **Limitations to the study**

One limitation was that I did not want to damage any relationship that I had with the participant. I may have been afraid to ask him tough questions. This may have led me to not be able to give him a critical analysis or obtain the necessary documents that were necessary for this study. The participant and locality were completely confidential and that remained protected. This helped me be comfortable asking the necessary questions and critically analyze the important documents that helped me complete this study.

A second limitation with interviews is that the participants can be uncooperative (Bloomberg & Volpe, 2008). I felt that I had a positive relationship with the participant. I did not foresee any instance where the participant was trying to hamper my study in any way by

refusing to answer questions. If he did refuse to answer a question, then that was his right. He was never be pressured to answer questions he did not want to answer.

A third limitation was my relative strength as an interviewer. Interviews are beneficial but also can have limitations. The strength of the interview can depend on the skill of the interviewer (Bloomberg & Volpe, 2008). I have only completed a mini-qualitative study for a qualitative research class. While I did perform interviews for that study, I am still a novice at interviewing for qualitative research.

I overcame these limitations thorough member checking and peer-debriefing. Member checking involves the researcher giving the participants in the study a summary of the findings in the study (Marshall & Rossman, 2011). The participant was given a summary of the findings as well as given a transcript of each interview to ensure the accuracy of the findings. The transcript was typed up within 24 hours and a copy was presented to the superintendent within one week. This transcript was reviewed by the superintendent before conclusions are drawn. Peer-debriefing involves the researcher using knowledgeable colleagues to review the study and findings (Marshall & Rossman, 2011).

## **The Superintendent and the Budget Process**

### **Responsibilities of the superintendent.**

The Code of Virginia states that the School Board is ultimately in control of the funds for the school division and the division superintendent along with School Board must work together to prepare a budget for the school division. John was the leader of the school division and he did work closely with the School Board to develop this budget. John had a personal view of his responsibility in the budget process. “My job as superintendent is to present a balanced budget to the School Board and Board of Supervisors, no matter the circumstances.” John did keep in

close contact with the School Board throughout the entire process. John would inform them collectively through School Board meetings. So, when John presented the School Board with the budget for the school division, they had a pretty good idea of what the contents were before the presentation.

### **Decision making during a time of fiscal constraint.**

#### *The budget team.*

The budget process is generally effective when the superintendent works with a group of people he or she trusts to formulate the budget (Dlugosh et al., 1996; Edwards, 2007). Green Hill Public Schools has more 2000 students and the research states that in school divisions of that size, the superintendent generally works with business manager and/or assistant superintendents in managing the finances for the school division (Kowalski, 1999). John had a budget team that he worked closely with. His budget team included the financial director and the two assistant superintendents. When it came down to formulating the budget, he would meet with them so they could work collectively as a team. This was the team that got together on multiple cold, December afternoons during winter break to analyze what the Governor's budget meant for the school division. These were the people that he trusted closely when it came to formulating the budget.

John also had interactions with directors and principals throughout the process. They were kept informed and their input in the budget process was greatly valued. The principals asked John not to lay off any assistant principals. He did not lay off any. He did modify the contracts for any new assistant principals from 12-month contracts to 11-month contracts in order to save the assistant principals and save the school division money.

The principals also asked John to look at possibly changing the calendar in order to save money for the save money for the school division. He pushed for the change. The change called for increasing each day by 15 minutes and reducing the number of days that school was in session, thereby saving electricity and other costs.

Well, in this calendar the food service employees and bus drivers would be working 11 fewer days than they do now. They are paid by the hour. We looked at possibly having them do in-service for 11 days during the school year so they would not see a cut in pay. The savings were just not enough. Additionally, we did not want to change the calendar because JLARC was doing a study on possible year round schooling for Virginia. We did not want to entertain changing the calendar until we knew for certain if Virginia was going to go that route or not.

However, John did not rule out the possibility that a change in the calendar may come up again in the future.

The superintendent is supposed to work with his budget team to develop a budget that meets the needs and objectives of the school division and present a budget to the School Board (Brimley et al., 1996; Kowalski, 1999). Collectively, John received budget requests from the directors, assistant superintendents, and principals in December. He worked with his budget team to formulate this budget. Did John and his budget team develop a budget that meets the needs of the school division? Well, further research and analysis during the 2012/2013 school year may help answer that question.

### ***Tolerance for Ambiguity.***

The budget process this year was full of unexpected expenses. Research shows that it can be hard to predict what can happen to finances from year to year (Kaplan & Owings, 2006). Finances can also changes during the year (Kaplan & Owings, 2006). Both of there were very apparent in this budget process.



John had to demonstrate flexibility in preparing the budget. It was something that he understood and valued throughout the process. John faced several obstacles that were not expected that required him to change paths mid-stream. A major complication came in December with the unexpected increase in the Governor's budget for divisions to fund the VRS. This unfunded mandate on the school division from the state required that the division find funds to support the VRS payments. This new requirement of moving costs from the state to the locality forced John to look for additional revenue.

John had to find these funds at a time when there were still many unknown variables in the Governor's VRS proposal. John did not know the magnitude of the rates or the timetable for divisions to take on the funding. He did not even know when the mandate would take effect. John had a decision to make. He could have taken a risk and decided to deal with the issue of local funding for VRS when he had a better idea of the scope of requirements. This lack of action would have required the division to scramble to find the money somewhere to cover the costs in a short time. As John saw it, such actions would have been embarrassing to both the school division and John. Instead, John decided to play it safe and set aside money each month starting in January to cover the VRS increases. By saving for the VRS, John was able to offset the term-life insurance increase from April. At the time that John made the decision to put aside money to support the mandate, he had no idea that six months later this would provide the division with needed funds for other budget lines.

John delayed the presentation of the budget from the end of January to the middle of March mainly because of the increases involving the VRS and health insurance. He wanted more information on how much both of these items would increase. As a result, John decided to build in flexibility to his budget schedule to delay the budget presentation until he received more

information. This decision risked criticism from the community and the school staff that he was not doing his job. John ended up releasing his projected budget in March based on hypothetical information because he had waited as long as he could. John would not receive any firm information on both the VRS and health insurance increase until April.

This VRS mandate also forced John to make decisions as he negotiated with the Board of Supervisors over the funds. At first, he did not know whether the school division was going to receive any of the money. He had to make a decision regarding what would be cut in the school division based on what the school division would receive. He had a plan in place for receipt of the full \$1.8 million and another for no additional funding. These plans were shared at the May 2 joint meeting between the School Board and Board of Supervisors where John told everyone what would be cut from the budget if the \$1.8 million was not appropriated to the school division. John warned that he would have no choice but to make these reductions because the money was simply not there. John had to juggle a number of contingency plans depending upon the final appropriations to the division. The waiting game required John's flexibility and planning abilities.

John had a number of unexpected expenditures that appeared during the budget process -- the VRS increase, term life insurance increase, the decrease in Title I funds, and the mandate to provide EpiPens. The term-life insurance increase was funded by John's prudent planning in holding funds back from January onward in case VRS had to be covered for those months. The Title-1 decrease was something that was not finalized until the evening of June 21, right before the budget was scheduled for adoption. At that late date, I learned that he had to cut another \$108,000 from the budget. He was able to shift the employees into already vacated positions. Those vacated positions had to be filled anyway.

*Think outside of the box.*

John took a creative approach to this budget and offered solutions for saving money that were outside the box. For instance, his proposal to subcontract custodial staff would have saved the school division \$184,000. The School Board rejected this cost savings. John did not put up a fight for this proposal.

The School Board felt it was important to be loyal to these employees. If we would have subcontracted them, then they would not be a part of VRS and may not receive any benefits. So, the School Board felt that it would not be fair to them to go this route. A second proposal from John was a change in the school calendar, increasing each day by 15 minutes and reducing the number of days that school was in session, thereby saving electricity and other costs. Both proposals were not used but this showed that John was willing to be creative in his budget development to save money.

### **Stress.**

Stress was something that John had to go through with this budget. He would worry at night about this budget that, as a leader, he had to push through. John did not gain any more weight, but he did acknowledge that stress caused other changes. “I feel like I have many more gray hairs than I did at the beginning of the budget year.” The pace of the budget added hours to his workload. “I am contracted to work eight hours a day and the amount of extra hours that I put into this budget equates to three extra months of work.” The extra time took away from other aspects of his job.

### **Framework of Values that Drives Superintendent Decisions on the Budget**

Following the superintendent throughout an entire budget year as he built and fought for a budget during difficult financial times provided a glimpse of the values that drove his decision-

making during the twelve-month period. Despite John's argument that he didn't let his own values influence his decisions, the evidence drawn from interviews and observations of his actions tell a different story. Several themes emerged that illustrate how values were central to decision making.

The research shows that effective leadership is driven by values (Blanchard et al., 2003; Kuczmarski & Kucmarski, 1995; Majer, 2004; O'Toole, 1995). The values that guide the decision making of a superintendent are basic human values, general moral values, professional values, and social and political values (Leithwood & Steinbach, 1995). John displayed each of these values throughout his decision making.

#### **Compliance with the rules.**

John explained more than once that the development of the budget was driven by the need to "do more with less." The more that had to be attained were defined by the Standards of Quality, which could not be diminished. Therefore, he stressed that the budget had to meet the Standards of Quality even if the funding decreased.

John embraced the decisions he had to make in this budget as the leader of the school division from the perspective that in a recession, like the one that was occurring during the budget cycle, the only requests that should come from principals were ones justified by enrollment.

If the enrollment at a school goes up by 10 students and they ask for \$200000. Obviously the \$200000 they are asking for is not justified by an increase of only 10 students so I would look at the per pupil cost for the programs, materials, supplies, etc. and I would look at that in terms of an increase in student population to allocate the new amount for the upcoming year.

As superintendent, John was directed by Virginia education law that requires school divisions meet the expectations of the Standards of Quality. John reiterated time and again that he was bound by the law and must adhere to the Standards of Quality or suffer serious consequences. Thus, if John wanted something in the budget but it was not in line with the Standards of Quality, then he did not put it in the budget.

**Keeping the quality of education high.**

John valued the quality of education. Throughout the budget process, his goal was to maintain the quality of education, no matter how much money needed to be cut from the budget. “The quality of instruction in the classroom is first and foremost the thing I will protect in the budget.” He believed that everyone in the school division had a mission to serve the kids and do what is best for them, including finding ways to do more with less.

My obligation as superintendent is to present a balanced budget that speaks to the quality of education for kids. That is what the School Board expects from me. It’s about kids and not necessarily about personnel.

From the start, John was clear about what he wanted to protect in the budget, and he kept his focus as each crisis emerged and required additional cuts from the budget. He maintained his resolve to protect the quality of education in the school division. He cut what he termed “non-essential items” first. He always stated that the first thing he would cut would be materials and supplies. He felt that he cut everything he could possibly cut there. He also delayed all non-essential improvements to buildings and purchases of new busses. He determined that everything that was not directly related to instruction was cut first.

In the end, John had to cut teachers, administrators, and support personnel. He also eliminated positions through retirement and people leaving the division. John believed he could

eliminate these positions and the school division would still be able to run. He believed that even with these cuts, he was still within the guidelines of the Standards of Quality.

The elimination of positions had an effect on students with higher-pupil teacher ratios in the classroom. Those pupil-teacher ratios increased from 20-1 to 23-1 at the elementary level and 24-1 to 26-1 at the secondary level. Some teachers would have pupil-teacher ratios even higher. Losing administrators and support personnel meant that other personnel would have to double up on their jobs, which increases the stress for the remaining personnel because they would be required to take on additional responsibilities which can have a profound effect on the school division.

John believed that morale plays a big role in keeping the quality of education high. “It’s one thing to employ personnel, but if you employ personnel and they have a job but don’t have the morale to do a good job, then you don’t have quality education.” It was a no win situation for John. He had to make cuts in the budget that resulted in higher pupil teacher ratios, no increase in salary, and an increase in the cost of health insurance. School personnel were asked to do more but at the same pay. It would not be unexpected for morale to drop as a result of this budget.

Was John able to obtain his goal of keeping the quality of education high in the school division? While it is too soon to know, cuts were made that relate to student achievement. John intends to monitor student programs by analyzing patterns of student achievement in report cards, benchmark tests, and SOL scores. While John did what he could to protect instruction and programs from cuts, he did not have much room to maneuver. John admits that the school division is at a crossroads, and any more cutbacks may be too much for the school division to withstand. “We had cuts of \$4.6 million in 2009-2010 and \$1 million in 2010-2011. We don’t

have much flexibility in the budget without cutting personnel, putting people on furlough, or reducing salaries.” This year, personnel were cut through retirement and attrition, costs to benefits did increase, but salaries were neither increased nor decreased. No staff members were furloughed. John was relieved that he was not forced to take these measures, but is not sure what will happen to future budgets.

John has stated that he cares about the quality of education in Green Hill Public Schools. One of his goals is to keep the quality of education high. Further research and analysis of test scores, scores on benchmark tests, and grades on report cards for the 2012-2013 school year will allow a researcher to see if those variables increased, decreased, or stayed constant. That will give us a good indication if the quality of education was protected. If I had to make an overall assessment now, then I think the quality of education will decrease. That is not to say the teachers in Green Hill County are bad. When materials get cut and pupil-teacher ratios increase, I believe the quality of education tends to decrease. The students have fewer opportunities to receive one-on-one instruction from the teachers because of the bigger class size. Yes, John’s value here might have been compromised with the amount of cuts he had to make in the budget.

### **Relationships and trust.**

John was not the only architect of the budget. He relied on the relationships formed with people inside and outside the school division. Trust and the relationships were put to a test amongst important stakeholders during the budget process. John has a relationship with the major stakeholders in the school division. Those major stakeholders are the employees, parents, the School Board, and the Board of Supervisors.

Research by Drake (1973) and Rokeach (1979) stated that decisions tend to be more useful when decision makers and organizations share similar values. You will see in these

relationships where John does share similar values with all of these values but there were also major value conflicts. It is advisable for the superintendent to avoid value conflicts because research shows that value conflicts can hinder decisions being made that are in the best interest of the students and employees in the school division (Capper, 1993; Crowson, 1989; Greenfield, 1986, 1987, 1991, 1995; Hostetler, 1986). In this budget process, it was hard to avoid value conflicts.

***Superintendent - employee relationships.***

John stated that his first priority was to the students. He saw himself as a champion for the school division as he fought the Board of Supervisors to increase funding to the division. “I hope everyone in the school division can see how hard the School Board and I are fighting for them in this budget.” John had support from teachers that spoke at the board meetings. It is my interpretation that the large amount of employees that showed up at the budget meetings during May and June was a demonstration of support for John.

John continued to ensure the staff that he genuinely cared about them and wanted what was best for them. He also admitted that he was not able to negotiate everything that school employees wanted. While he did not have to lay off personnel, he also was not able to offer a salary increase.

John was proud that he did not have to make the decision to lay off any full-time employees off. All personnel cuts were from retirements and people leaving the school division. The thought of actually laying people off really upset him.

I think about it all the time having to call people into my office and telling them that they do not have a job with this school division anymore. It is not something that I want to have to do.



Although John didn't reduce remaining staff, he did decrease the size of the instructional faculty. This reduction in force has implications for current faculty, forcing an increase in their workload without an increase in pay.

John was also proud that he was able to protect the salaries of everyone in the school division. No one in the school division saw a cut in pay. While everyone received a 1½% percent increase to cover the added VRS expense employees had to pay, this adjustment did not increase anyone's overall salary. Many employees in the school division may feel like they are having more responsibilities put on them with higher class sizes and no raise in pay. John was not against making a decision to give everyone in a school division a raise but the money was not there.

***Superintendent - student/parent relationships.***

The next relationship is among John, the students, and the parents in the community. John clearly stated that his goal was to serve children in the school division and maintain their quality of education. Yet, he was forced to reduce funding for instructional materials and to increase class size. In addition to threatening the quality of instruction in the classroom, these cuts are likely to cost parents money. If the school division cuts materials and supplies that are generally provided to students then parents are likely to be asked to provide these for their children. If this happens, families will be differentially affected. For some, this won't be a hardship. For others, the cost of materials will be prohibitive. If so, the divide between families with different incomes may widen.

***Superintendent- School Board relationships.***

John works for the School Board and believes that he should share the same values they have.

When I am going through the budget, I take into consideration the values of the School Board as I review the budget and make decisions on cuts. The School Board always have shared with me that we should maintain the lowest pupil teacher ratios possible, maintain the necessary leadership to ensure our kids have the best education, maintain buildings, grounds, transportation, food services, and maintain all of the insularly services that are needed to provide support for school operation. I keep all of those things in perspective and I argue that for benefit of the board as superintendent.

While John is guided by his own values when making budget decisions, he is also guided by the values of the board. As long as the two value systems are compatible, John can speak with one voice. In this budget process, there was little friction between John and the School Board. They disagreed on the calendar proposal and the proposal to subcontract out the custodial staff. Even through those disagreements, they worked closely together on a budget that they felt met the needs of the school division.

***Superintendent - Board of Supervisors relationships.***

The relationship between John and the Board of Supervisors was rocky. John believed that it was his job to mediate between the School Board and the Board of Supervisors to figure out a solution. Things got contentious when the county administrator released a memo criticizing the school division during the budget process and defending the Board of Supervisors against the perception that they were anti-education.

John fought hard to secure the \$1.8 million for the school division but it got to a point where the Board of Supervisors decided that they were not going to give the school division the full amount. The final amount ended up being \$1.277 million. He could have fought harder for the \$1.8 million and refused to accept anything less. At the same time, it was getting to the point

where the Board of Supervisors was threatening to provide no increase if the \$1.277 million wasn't accepted. John knew that accepting the lesser amount was better for the school division.

I had a hard time accepting the reasoning behind why John accepted the \$1.277 million. He kept telling me that the school division could not accept anything less than \$1.8 million but he did accept something less. It was a substantial decrease of a little over \$500,000. Two questions developed inside my mind while this was occurring. Could John had fought harder to secure the full \$1.8 million? Was John compromising his value of protecting the quality of education by accepting less money?

John could have persuaded the School Board to fight harder and wait out the Board of Supervisors to see if they were bluffing by threatening to not give the school division any money. I do not think that the Board of Supervisors would not have helped out the school division. Politically, it would have been suicide to not help out the school division in a substantial way as many voters have children in the school division. John said the Board of Supervisors had the money and the Board of Supervisors said they did not. Somebody was not telling the full truth. I only got one side of the story from John. I do believe John did compromise his values here somewhat. Cutting \$500,000 more from the budget would cut more items from the budget thus possibly affecting the quality of education. In the end, this standoff had to stop somewhere. This compromise of \$1.277 was a way for the school division to move forward and complete this budget.

Once the money was appropriated, the Board of Supervisors was trying to dictate to John and the School Board how the money would be given to them. I compare it to how a parent gives their child an allowance. A parent may give the child an allowance but may put restrictions on how the child can spend that money. The parent is financially responsible for the

child. The same applies to the Board of Supervisors and the school division. The Board of Supervisors is the fiscal agent for the school division. The Board of Supervisors was trying to bully the school division into accepting their terms for how the money would be appropriated. John and the School Board were not going to be bullied and they stood strong. They felt that the Board of Supervisors should not be treating them this way, especially since the school division had proven to be financially responsible throughout the years. The school division consistently returned money to the fund balance in past years, even in times of budget reductions. John stood strong with the school division and the Board of Supervisors decided to give the money to the school division without any restrictions. However, this whole process eroded the trust between the school division and the Board of Supervisors.

***Superintendent - state relationship.***

A superintendent also had a relationship with leadership in the state. The VRS increase was a major obstacle for John to have to overcome. It was an unfunded mandate that was passed down to each locality. John put most of the blame on the erosion of trust on the state for implementing this mandatory VRS increase in a time when it did not necessarily need to be increased. “It has impeded the working relationship that has been established over the years and it has caused a fracture in that relationship which will take years to repair locally as a result of state political meandering.”

John also took issue with funds being forced to be reduced without a reduction in expectations for meeting the Standards of Quality. “If those Standards of Quality need to be reduced because the funding is not there, then then the General Assembly should act, but we can’t have both.” John felt that the funding is not adequate to meet the current Standards of Quality. He believes the state has shifted too much of the funding burden to localities. This has

forced John to find more ways to fund the VRS using funds from the locality. I feel that this has caused an adverse relationship between the localities and the state.

*The value of relationships.*

John valued the relationships with all of these stakeholders. It seemed that he valued the relationships more with his School Board, employees, parents, and students than he did with the state and the Board of Supervisors. He was very angry with the state of Virginia over the increase in VRS. He felt that it could have been delayed a few years when the fiscal situation could hopefully improve. He was forced by the state to make more cuts in the budget than he wanted. I did not observe him doing anything to try to improve that relationship. He may have when he went to conferences and meetings but that was never brought up in the interviews.

The relationship with the Board of Supervisors became very antagonistic. John blamed the trickle-down effect of the state forcing an unfunded mandate on the locality. I never observed him ever yell, scream, or talk badly about a Board of Supervisors member. He was always cordial when speaking to the members at meetings. He respected the relationship with them and the state. I do not believe that he wanted a negative relationship with either. Right now, the relationship is fractured and much work will have to be done on both sides to improve that relationship.

The relationships with the School Board, employees, parents, and students were the relationships that John valued the most. It never seemed to me that the School Board ever tried to bully John. They were always working together as a team to make decisions. The same can be said for relationship with the employees, parents, and students. He saw them as members of his team as well. He wanted these relationships to stay positive but he knew that as a leader, he

had to make decisions in a budget that may upset some of these people. Those decisions on cuts possibly had a trickle-down effect that upset employees, parents, and students.

### **Transparency.**

John valued transparency with the budget. “I want people to know the reality of the situation that we are all facing.” He wanted to keep everyone informed and be truthful with everyone, even if the truth was not something that everyone wanted to hear. He believed that if everyone was on the same page then it would make for a much smoother budget process.

The best hope he could provide about the budget was that it may stay at level funding from the previous year, but he believed that there would be some sort of decrease. That is why he had the principals and directors create the three variations of the budget. “The purpose of doing it this way was to have everyone prepared if there was a decrease in funds.” It was a mindset that he had, and he wanted everyone to share that same mindset. The mindset was to only ask for what you absolutely needed.

### *The value of transparency on budget decision making.*

John did not want to hide this budget from the public. He kept them informed of what was going on throughout the whole process through the use of the school division website and through School Board meetings. John wanted everyone to know what was going on. Transparency helped him develop a budget that adhered to the values of the community. It held him accountable throughout the process and I believe that he wanted that. He wanted the input of people in the school division and the community. As leader, he had to make a decision of what to include in the budget and what not to include. Transparency grounded him and kept him focused on the goal of producing a budget that spoke to the values of the community.

## **Recommendations for Policy**

One recommendation is to consider ways to increase communication among the School Board, Board of Supervisors, and superintendent. Several misunderstandings in the process might have been averted if more communication had occurred. I got the impression from reading May 11<sup>th</sup> memo from the County Administrator that he and the Board of Supervisors were clueless that the school division was going to need an additional \$1.8 million. Somewhere there was a communication breakdown between the school division and the county administration. Quarterly meetings that are open to the public might be established where members from both boards get together with the superintendent and analyze budget information and trends.

A second policy recommendation is an increase in educating the public about the full details of the budget. I did say that a strong value of John's was that he was transparent in this budget process. The superintendent and school division employees kept people informed on the website. However, more detail about the process and numbers might have helped members of the staff and community understand where the budget was going. The budget is hard to understand because it is very complex. Relationships might improve if the superintendent took steps to explain where the funds are coming from and how they are being spent. Workshops or videos posted online might help educate the public more. If the school division wants true transparency in their budget process then it should educate the public more.

A third policy recommendation is that the school division should have access to the state health insurance program. Virginia requires public school divisions to be a part of VRS but they are not given the option to be a part of the state health care program. If school divisions were able to be a part of the state system rates might decrease. The state of Virginia would have

leverage with Anthem, the insurance provider with the state of Virginia, to provide lower rates if thousands of new members were to be added to the health insurance program. It is not fair that school division employees are considered state employees but not have access to the state health care program. School-division employees are really quasi-state employees. I predict that health insurance rates are going to continue to increase. I firmly believe that the General Assembly needs to look at this issue as a way to help school divisions combat the increases in health care.

A final policy recommendation is that deadlines need to be followed. I learned throughout this budget process that deadlines are fluid. I do not put much faith into any deadlines anymore when it comes to budget processes. I have a flow chart in Appendix D that details that ideal calendar for the budget process. I not going to but the full blame on the school division and the Board of Supervisors as the budget from the General Assembly was late. Everyone needs to be held accountable for deadlines because once one deadline is not meant then all deadlines after that date means nothing.

### **Recommendations for Practice**

A recommendation for practice is that this research can be used in college classes to help prospective educators understand the budget process. Looking at a full year cycle of budget development illustrates the political and practical challenges that a superintendent and School Board face. Some of these future educators may be leaders that may have to deal with a situation like this. I want this to be a lesson for them so that hopefully the challenges that were faced in this budget may be avoided in the future. I do not want to just limit this recommendation to just college classes. Current and future superintendents can use this research to learn lessons about a challenging budget process.



Another recommendation for practice is that this research can be part of a program that educates people on the budget process. I made a recommendation that a policy needs to be put in place to educate the public more on the budget process. This research can be used as a tool to give people an understanding of what goes on behind the scenes during the budget process through the eyes of the superintendent. This research is just one part of an overall goal of educate the public more on school division budgets.

### **Recommendations for Research**

A recommendation for research is a study on the superintendent during the budget process including analysis from employees and parents in the school division throughout the process. That analysis could be done through the use of qualitative interviews or quantitative surveys. This approach would offer insight into how they feel superintendent is performing during the budget process and how they interpret the budget process. It gives the researcher a different viewpoint to be able to compare and contrast with the superintendent's viewpoint.

Another recommendation for research would be to examine the relationship between budget decisions during times of fiscal constraint and the quality of instruction. That can be done through a quantitative analysis of test scores and grades. It also can include qualitative interviews with employees, students, parents, and the superintendent. These school budgets during recessions are painful for many people, but we need to understand what impact recessions are having on the quality of education in the school division. This may be a hard design to establish but we need to develop more research to see how cuts in the budget are affecting the quality of education for the students.

A final recommendation for research would be to examine how transparency affects budget decisions. This design can focus on a sampling a superintendents to compare data. In a

time a fiscal constraint, major decisions are being made that affect many people in the school division. How open is the budget process? Further research on this topic will help us understand if transparency does have an effect on goes about the budget process

## **Conclusion**

This was a unique budget year for John. He knew that the health insurance was going to increase but he did not anticipate the increase in VRS along with the unexpected expenses involving the term life insurance, title-1 cuts, and EpiPens. He had to display flexibility in his decision making because it seemed that things were changing constantly. He really did not get any concrete information until the very end of the budget process. Despite a rational and sequential planning process, the budget process may not happen as expected.

Many of the problems associated with this budget could have been avoided if the VRS increases had been delayed a couple. It was an unfunded mandate that the state of Virginia required localities to fund. John put much blame on the budget problems on the increase in VRS. It caused an embarrassing situation between the Board of Supervisors and the School Board with all of the fighting and debating over the funds. It even turned people against each other. This process caused trust issues that may continue for years to come.

As a researcher, I got to see this budget process through the eyes of John Smith. He was very forthcoming and his responses gave me detailed insights that helped me develop my conclusions. I learned that no one wins in a budget like this. This was a tough budget and I saw the toll it took on the school division. John stood strong and did what he believed was right for the school division. He believed that the school division must follow the Standards of Quality.

That was his biggest value. John may not ever develop a budget in favorable economic conditions and understanding how the decisions are made is useful for budget development in the future.

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## Appendix A

### *Count the Ways to Save School Dollars*

What to do	How you'll save	The consequences (not all of them bad)
1. Hold the line on salary schedule increases this year (but keep step increases intact).	Resulting staff turnover (exchange of higher-step for lower-step personnel) saves money.	Shift opposition from teacher unions and little turnover
2. Freeze salaries (no increases for anybody).	Same as No. 1, only more so.	Same as No. 1, only more so.
3. Encourage early retirement of staff by providing a cash bonus or retroactive pay raise.	Increased staff turnover saves difference between top-step and entry-step salary level	Possible ill-feeling from older, dedicated staff; opening of same positions for younger, unemployed teachers; high retirement income in case of retroactive pay raise.
4. Reduce the number of small classes in secondary schools.	By offering certain courses every other semester or year, and/or by increasing class sizes, you'll need fewer teachers on the payroll.	Opposition from teacher union and from parents of children in such advanced courses; also, greater individualization of instruction because of greater diversity of instructional levels in a class; some investment in staff development might be required.
5. Replace credentialed educators in administrative positions with lower salaried, specialized, full-year/full-time personnel.	Administrative cost should decrease (and effectiveness should increase).	Opposition from teacher union to more hours and days of job coverage for less money and more specific training and experience for job.
6. Adopt new textbooks less frequently (without becoming lax about adoption standards).	Outlays for textbooks will go down.	Some embarrassing instances of out-of-date material in hands of students if not carefully monitored.
7. Collect on lost, damaged, or stolen books—or require student who is responsible to perform work to earn costs of books.	Textbook losses and replacement costs will go down.	Some unpleasant situations with parents, students; requires flexibility in enforcement where situation is beyond control of students.

<p>8. Charge fees for adult education equal to district's direct costs (with exceptions for low-income and elderly).</p> <p>9. Place curriculum development projects on a competitive contracted basis (encourage groups of teachers to bid).</p> <p>10. Reduce the number of specialist teachers, eliminate their formal teacher load, and have them help the regular teachers.</p> <p>11. Use paraprofessionals instead of teacher for on-the-road segments of driver training instruction.</p> <p>12. Replace your all-teacher physical education staff with a team of professionals and trained paraprofessionals.</p> <p>13. As vacancies occur, subject each to thorough reassessment before filling (but be sure this is based on a long-range staffing plan).</p> <p>14. Perform a cost-comparative study of your schools. Identify high-cost schools and develop plans to remedy differences not justified.</p> <p>15. Perform a cost-comparative study of programs. Identify high-cost programs and develop plans to remedy differences not justified.</p> <p>16. Study your pattern of teacher absentees and crack down on the teachers whose excuses are suspect.</p> <p>17. Negotiate a new, lower beginning step in employee contracts, not affecting any present employees.</p>	Subsidies to these adult programs out of tax revenues will go down.	Opposition from those currently benefiting; some drop in enrollments, elimination of some programs.
	Curriculum development costs might go down.	Possible opposition from teacher union.
	Salary costs will go down.	Opposition from teacher union, some parents; fewer interruptions of classes and less fragmentation of programs.
	Salary costs will go down	Opposition from teacher union and state department of education middle management group; careful training, supervision required; result could be more effective program.
	Salary costs will go down.	Stiff opposition from teacher union; if well-planned and organized, a more effective program could result.
	Salary and benefit costs will go down.	Fewer promotional opportunities for staff; some effect on morale of those who are ambitious for management roles.
	Salary and other costs will go down.	Opposition and ill-feeling, especially from parents of children involved in programs that are cut.
	Salary and other costs will go down.	Opposition from individuals involved and, possibly, from teacher union.
	Cost for substitutes will go down.	Some understandable ill-feeling if individual circumstances of each case are not carefully reviewed.
	Salary costs will do down.	Be prepared for hard bargaining, although this one is easier to achieve because no current employee is affected.

<p>18. Establish “average teaching load” (ATL) factors for secondary-level subject areas and reassign or transfer excess staff to other vacancies.</p> <p>19. Reduce the number of small half-day kindergarten classes by consolidating and assigning teachers to more than one school.</p> <p>20. Hold all vacancies open for at least two months in all but the most essential positions to find out whether you really need a position.</p> <p>21. Consolidate evening educational and community programs into fewer schools, on fewer nights.</p> <p>22. Reduce fuel consumption by turning off fresh-air intakes fans after school.</p> <p>23. Turn off lights when rooms are not in use; cut down on unnecessary lighting.</p> <p>24. Sweet-talk city hall into letting you use municipal employees (rather than contracting) for repairs to buildings.</p> <p>25. Cut custodial overtime by starting a second shift.</p> <p>26. Collect all direct costs when outside non-profit groups use school buildings.</p> <p>27. Implement training program for custodial personnel on small repairs.</p> <p>28. Evaluate the use of contracted maintenance versus in-house mechanics to service transportation equipment.</p> <p>29. Examine your transportation system to see if more students could walk to school.</p>	Excess staff in some subject areas can fill other vacancies in system thus saving cost of new hires.	Short-term opposition from teacher union and some department heads. Long-range: more equitable allocation of staff.
	Save teacher salary depending on number of classes consolidated.	Opposition from teachers and some parents.
	Salary costs will go down.	Opposition from those looking for a promotional opportunity.
	Administrative, instructional, and plant operations costs will go down.	Some opposition from neighborhood groups and possibly a drop in enrollment.
	Fuel costs will go down; small savings in electricity also will result.	Investment in modification of new control system might be required.
	Electricity costs will go down.	Investment of time and attention of school administrators, teachers, custodians required.
	Repair and maintenance costs will be lower.	Opposition from contractors.
	Custodial salary costs will go down.	Stiff opposition voiced by labor organization(s).
	Custodial, fuel, and electricity costs will go down.	Opposition from special groups no longer subsidized; less use of school buildings.
	Contracted repair costs will go down.	Opposition from some custodians and custodian organization because of extra work; lower-quality work in some instances, better in others.
	Less cost for maintenance per bus.	Workload and costs might not justify adding an in-house position. Decreased equipment downtime.
	Costs of buses, drivers, and gasoline will go down.	Opposition from those adversely affected, especially on basis of safety.

<p>30. Review school opening and closing times to develop a new pattern of staggered openings that requires use of fewer buses.</p> <p>31. Tighten up on money management techniques.</p> <p>32. Develop and implement a computerized perpetual inventory system for all equipment.</p> <p>33. Give each subunit in the school system a budget and hold respective administrators responsible for it.</p> <p>34. Ask administrators to come up with specific suggestions for reducing costs, improving efficiency and productivity on a quarterly basis—in writing.</p> <p>35. Consolidate advertising for staff to reduce scattershot approach to filling vacancies as they occur.</p> <p>36. Microfilm or scan old records optically rather than retain paper storage.</p> <p>37. Reduce clerical help and use temporary help and/or high school students for peak periods; plan your staffing needs for average loads only.</p> <p>38. Devise better control of office copiers.</p> <p>39. Schedule buying in large lots.</p>	Transportation costs will go down.	Implementation might inhibit staff development programs in the afternoon because teachers will not all be free at the same time.
	Interest income will go up.	Procedures for quickly identifying correct account for deposit must be developed—especially when poor check notations inhibit easy identification.
	Chances of vandalism and theft will be reduced.	One-time systems development and implementation cost.
	Requisitions will be challenged more effectively at lower levels and stopped at a point where details are better known. You'll get more for your money.	More time spent in this area—especially at first; better use of resources if budget decisions are not related to goals and objectives.
	Your administrators often know where to save, but you offer them no motivation for offering appropriate suggestions. Once you do so, you'll save.	Some administrators might be exceedingly uncomfortable in the new environment.
	Several specific job ads will be replaced with a consolidated ad on a less frequent basis. Also, maintaining application files will eliminate need for some advertising.	More efficient use of media.
	Reduction in storage space requirements, less time spent researching old records, less file storage equipment needed.	More accessible record retention system, with side effect of identifying some documents that need not be retained. Increased cost for equipment and film processing or optical scanning.
	Full-time clerical staff salary costs will go down.	Opposition from organized clerical staff group.
	Costs of unauthorized and wasteful copier use will go down.	Irritation on the part of those who want to use copier for any and every purpose.
	Competitive bidding on larger numbers of items will reduce unit cost.	More long-range planning is required.



<b>40. Increase fees to faculty to cover full direct costs of lunch</b>	You'll reduce your food service subsidy.	Opposition from staff organizations and support of state school food service agency.
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Source: Decker, A. H., Mulheirn, M., Sluder, D., & Watford, S. (1992). Cut costs, not quality. *The American School Board Journal*, 179(6), 24-30

## Appendix B

### *Changes in budget expenditures in Green Hill Public Schools between 09/10 to 10/11*

Category	Money allocated in budget for 09/10	Money allocated in budget for 10/11	Change from 08/09 to 09/10
Instruction	\$42,006,978	\$38,288,231	-\$3,718,747
Administration, Attendance, and Health	\$3,027,442	\$2,830,194	-\$197,248
Transportation	\$5,328,927	\$4,307,011	-\$1,021,916
Operations and Maintenance	\$5,879,527	\$5,709,428	-\$170,099
Facility/Cap Outlay	\$327,510	\$299,200	-\$98,310
Technology	\$2,339,830	\$2,135,127	-\$204,703
Contingency	\$423,159	\$495,000	+\$71,841

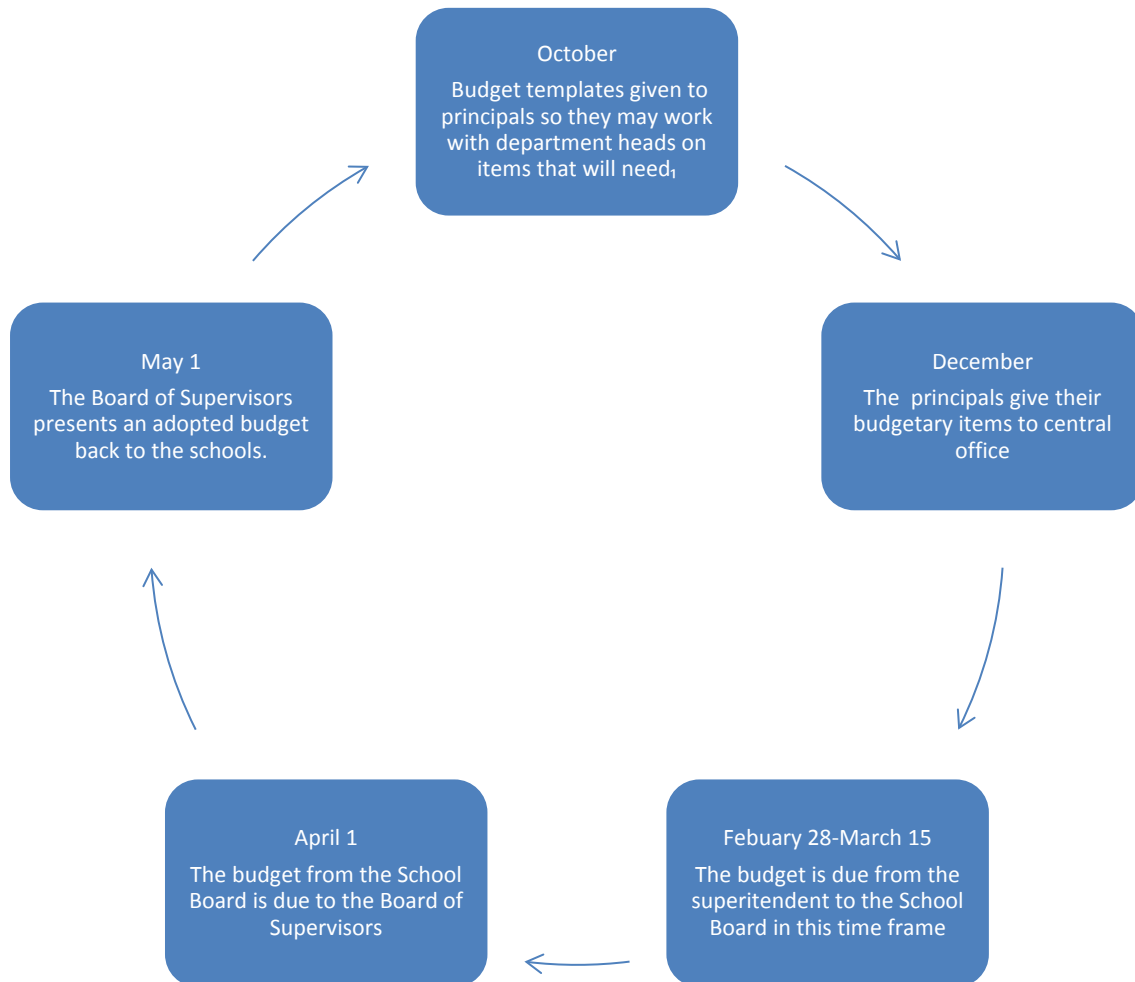
## Appendix C

### *Changes in budget expenditures in Green Hill Public Schools between 10/11 to 11/12*

Category	Money allocated in budget for 10/11	Money allocated in budget for 11/12	Change from 10/11 to 11/12
Instruction	\$38,288,231	\$39,677,461	+1,389,230
Administration, Attendance, and Health	\$2,830,194	\$2,933,448	+\$103,254
Transportation	\$4,307,011	\$4,565,526	+\$258,515
Operations and Maintenance	\$5,709,428	\$5,787,706	+78,278
Facility/Cap Outlay	\$299,200	\$313,695	+\$14,495
Technology	\$2,135,127	\$2,293,432	+\$158,305
Contingency	\$495,000	\$35,000	-\$460,000

## Appendix D

Flow chart of the budget calendar for Green Hill Public Schools



### **Flow-Chart Analysis**

1. The School Board also meets with the capital improvement committee at this time to look at future major projects. The principal asks the department chairs and other leaders to look at what their department needs. The budgets for the schools are due back to central office typically before Winter break.
2. The assistant superintendent starts to take in the budget requests from everyone. He or she starts to review the previous year and analyzes at what revenues are coming in. He or she works closely with the superintendent and the finance director to balance the budget according to the needs of the school system. Their budget is due to the School Board between February 28 and March 15.
3. The School Board now has the budget. They are also analyzing the budget and any new news on revenues from the various governments. They make any necessary changes as needed.
4. The School Board presents their balanced budget to the Board of Supervisors by April 1<sup>st</sup>. The School Board works with the Board of Supervisors to finalize the budget. A problem that the School Board can run into is that the Board of Supervisors may be late in approving their budget thus the School Board is late. The School Board relies heavily on the Board of Supervisors. Once the budget is approved, the process starts all over again the fall.

## **Appendix E**

### *Interview Guide for First Interview*

#### Topics covered in interview

1. The formation of the budget and the budget calendar.
2. A description of how this school division is primarily funded.
3. The amount of revenue expected to be received from the federal, state, and local government.
4. The relationship between the superintendent and the School Board.
5. The role of the public in the development of the budget.
6. The role of values and how they affect the decision making of the superintendent.

## **Appendix F**

### *Interview Guide for Second Interview*

Topics covered in interview:

1. A description of the budget templates given to the schools.
2. The process of constructing the budget templates for the schools.
3. A description of how these budget templates factor into the budget.
4. The role of the values of the superintendent in determining what is included in the budget.
5. A description of where the school division is in the budget process and any changes that may have occurred since that the last interview.

## **Appendix G**

### *Interview Guide for Third Interview*

Topics covered in interview:

1. A description what the school division received in the budget templates from the schools.
2. A description of how these budget templates will factor into the budget.
3. A description of how the values of the superintendent will determine what is included in the budget and what is not.
4. The affect that fiscal constraint has on determining the budget priorities for the school division.
5. Challenges the superintendent anticipates going forward in the budget.
6. Challenges from the Governor's budget.



## **Appendix H**

### *Interview Guide for Fourth Interview*

Topics covered in interview:

1. A comparison of how the formulation of the budget has differed from years past.
2. The various challenges that has been encountered with this budget.
3. The relationship between the superintendent and the School Board.
4. The type of cuts that were implemented in the budget.
5. The decision making process on why these cuts were made.
6. The role the public has played in the formation of the budget.
7. Disagreement between the superintendent and key participants in the development of the budget.
8. Challenges that the superintendent anticipate moving forward with the budget.
9. The role his values play in the development of the budget.

## **Appendix I**

### *Interview Guide for Fifth Interview*

Topics covered in interview:

1. An overview of the budget process for this year and how it has compared to years past.
2. A description of process of getting the budget approved by the School Board.
3. A description of the budget presented to the School Board.
4. An update on VRS and the health insurance increase.
5. Challenges the superintendent anticipates going forward.
6. A description of how any disagreements were resolved.
7. A description of the cuts in the budget and why there are there.
8. A description of how much influence the public had on the budget and how they were informed.
9. The people that influenced the superintendent in the budget.
10. The role that the superintendent's values played in the formation of the budget.

## **Appendix J**

### *Interview Guide for Sixth Interview*

Topics covered in interview:

1. A description of the budget from the General Assembly
2. Challenges from the General Assembly budget.
3. The challenges in the budget process moving forward.
4. A description to see how the superintendent plans to negotiate the with the board of supervisors to fund the increase in the budget.
5. A personal view the superintendent has on the budget from the General Assembly
6. The personal view the superintendent has on this budget process.

## **Appendix K**

### *Interview Guide for Seventh Interview*

Topics covered in interview:

1. A description of the current budget process.
2. A description of the current negotiations between the school division and the board of supervisors.
3. The personal view on the superintendent of the current budget process and the current negotiations.
4. The challenges of the budget process moving forward.
5. A description of when the budget process for this year should end.

## **Appendix L**

### *Interview Guide for Eighth Interview*

Topics covered in interview:

1. A description of the where the budget process is right now.
2. A description of the current negotiations between the school division and the Board of Supervisors.
3. A description of any unexpected changes the superintendent has faced in this budget.
4. A description of when the budget process should end.
5. The personal view on the superintendent of the current budget process and the current negotiations.

## **Appendix M**

### *Interview Guide for Ninth Interview*

Topics covered in interview:

1. A description of the where the budget process is right now.
2. A description of the current negotiations between the school division and the Board of Supervisors.
3. A description of any unexpected changes the superintendent has faced in this budget.
4. A description of when the budget process should end.
5. The personal view on the superintendent of the current budget process and the current negotiations.

## **Appendix N**

### *Interview Guide for Tenth Interview*

Topics covered in interview:

1. An overview of the budget process for this year and how it has compared to years past.
2. A description of process of getting the budget approved by the School Board and the Board of Supervisors.
3. The challenges the superintendent faced during the budget process.
4. A description of how any disagreements were resolved.
5. A description of the cuts in the budget and why there are there.
6. A description of how much influence the public had on the budget and how they were informed.
7. The people that influenced the superintendent in the budget.
8. The challenges with this budget versus previous years.
9. Lessons that have been learned to deal with future budgets during times of fiscal constraint.
10. The role that the superintendent's values played in the formation of the budget.

## **Appendix O**

The County Administrator has been given the pseudonym of Jim Johnson.

County Administrator Defends BOS Support for Public Education

Posted Date: 5/11/2012

### **County Administrator Defends BOS Support for Public Education**

Green Hill County Administrator (Jim Johnson) defended his Board of Supervisors in a written statement on May 11, saying that criticism regarding support for public education is “unfounded and the facts are there to prove it.”

In recent weeks, the BOS has received numerous letters, phone calls and emails suggesting they support a \$1.8 million increase as proposed by Public School Division Superintendent Dr. John Smith. Comments made through the media and at BOS meetings from both the public at-large and professional educators have indicated the members of the BOS are not overall supportive of education in Green Hill County.

“Up to this point, the public is only hearing one side, and even education personnel are not receiving all the facts about their budget and school spending,” Johnson said. “School officials need to be up front with their information, both present and past.”

Johnson first points to a Memorandum of Understanding that exists between the Public School Division and the Board of Supervisors that calculates every year the amount of local money that is to be given for school spending. Johnson’s Budget proposal to the Board of Supervisors is based on the MOU. He was not directed otherwise to come up with any other Budget number.

“Unless the MOU is changed, this will always be the method to calculate funding,” Johnson said. “It is up to the two boards to change the agreement if they don’t like it. Otherwise, that is how I built the overall County Budget and will in the future.”

Per the MOU, Johnson’s budget proposal gives the Public School Division \$87,676 more than FY ’12. The \$13,526,254 is the largest appropriation ever given to the Public School Division, and it came after asking the Board of Supervisors to increase personal property by \$0.25.

“Those funds, and that particular increase, benefits the Public School Division,” Johnson said. “Nobody wanted to raise taxes in the times we were in. But the BOS knew that additional revenue was needed to fund basic services and education is the greatest recipient of that.”



Johnson agrees the Public School Division has given back end-of-the-year unspent funds in recent years. However those funds were primarily used to pay down \$8.3 million of the new North Elementary School and other County debt.

In the current Budget proposal, Johnson has included \$4,059,458 above MOU funding in debt payments for construction and renovation projects incurred over the years.

“For some reason, the debt service number never enters as part of the Budget discussion,” Johnson said. “But each year, those funds have to be found to make those payments on top of the MOU funding. They are very much part of the education funding, but seem to be conveniently ignored when budget conversations are held.”

Johnson also pointed out that not just school personnel have gone without a pay increase in recent years, but all County employees. However, those same employees did receive a \$1,000 bonus in December of 2011, which had an overall cost of \$1,068,000 to the school and county budgets.

Johnson said both County and School officials worked hard to tackle the escalating costs in employee health care. Recently, a change was made in providers (Cigna) that makes everyone hopeful that costs may decrease in the system that is self-funded.

“Compared to the private sector, we still have a very nice health insurance plan,” commented Johnson. “Many businesses still don’t offer health insurance and dental coverage to their employees. We are fortunate to have that as part of our benefit package. It is a benefit that has been taken for granted by employees sometimes and it shouldn’t be.”

Johnson said the Board of Supervisors has been informed by classroom teachers they have to pay out personal funds to provide certain classroom materials to their students. He indicates this is a matter of priority by the School Division Administration.

“Last year, the School Division chose to invest in capital upgrades at the end of the year,” Johnson said. “Those same funds could have easily been channeled to classroom supplies. No request was ever submitted to the Board of Supervisors, but I am certain they would have given that favorable consideration.”

Johnson understands that Green Hill County ranks 104th in per pupil expenditures in Virginia. He also noted that (a neighboring school division) is 111th.

“We are often compared to (a neighboring school division) as a standard we want to achieve,” Johnson said. “It has an excellent school system. So you just can’t use that one single factor to

measure the success or lack of success in any school division.”

Johnson understands the mandate by the General Assembly regarding the Virginia Retirement System has crippled not only our government spending, but localities throughout the Commonwealth. That is the bulk of the \$1.8 million request by the Public School Division.

“Rather than unjustly blaming the Board of Supervisors for not supporting education, those same voices need to be contacting their General Assembly members and having that same presence in the halls of the State Capitol,” Johnson said. “The retirement system and other mandates are killing localities and the public is just sitting back and letting it happen. There is no accountability on the state level and unjust blame is being levied on the local level.”

Johnson also said the County budgets approximately \$1 million to pay for those clients who are part of the Comprehensive Services Act.

“One could argue that is at least in part an expenditure for education,” Johnson said. “That expense goes up every year, but it is never credited to the Board of Supervisors for coming up with the money to pay for it.”

As the person most responsible for keeping the overall County funds in order, Johnson said it is dangerous to dip into the General Fund balance or Utility Enterprise Fund to pay any or all of the \$1.8 million request. That amount would equal an eight-cent increase in the real estate tax rate to restore the funds if borrowed, or significant cuts in County personnel. Johnson said he will not recommend any further tax increases after this year unless directed by the Board of Supervisors to do so.

“We will be back in the same situation next year trying to find those funds because we will be paying for recurring costs,” Johnson said. “It also completely wipes out the credibility of the MOU which was put into place to avoid these funding battles between the two boards.”

Johnson has placed on the May 22 agenda of the Board of Supervisors consideration of the local appropriation to the Public School Division. He will follow whatever direction his Board gives him.

“I know our Board will do what is best for the County as a whole,” Johnson said. “It is just wrong to characterize any member as being anti-education. The support over the years proves otherwise.”

## VITA

Jeffrey Witt was born on May, 5, 1980, in Petersburg, Virginia. He graduated from Dinwiddie High School in 1998.

### EDUCATION

Virginia Commonwealth University <b>Doctorate of Philosophy in Educational Leadership</b>	<b>8/2007-12/2012</b>
Virginia Commonwealth University <b>Master of Teaching</b>	<b>8/2000-6/2003</b>
Virginia Commonwealth University <b>Bachelor of Science in Mathematics</b>	<b>8/2000-6/2003</b>
Richard Bland University <b>Associate of Arts</b>	<b>8/1998-6/2000</b>

### TEACHING EXPERIENCE

Prince George County Public Schools <b>Mathematics Teacher</b> <ul style="list-style-type: none"><li>• Taught algebra 1, computer math, geometry, and algebra, functions, and data analysis, statistics, and dual-enrollment statistics</li></ul>	<b>8/2005-Present</b>
Dinwiddie County Public Schools <b>Mathematics Teacher</b> <ul style="list-style-type: none"><li>• Taught were math 8, math 8 inclusion, and algebra 1</li></ul>	<b>8/2003-6/2005</b>

## AFTER-SCHOOL TEACHING EXPERIENCE

Prince George County Public Schools

### **ISAEP Instructor**

**8/2007-Present**

- Currently teach mathematics and science to ISAEP students two days a week after school
- The object of this program is to help prepare students to pass the GED test.

Prince George County Public Schools

### **Homebound Instructor**

**8/2005-Present**

- I received the work from the teachers of the homebound students and took it to the home of the students. My job was to teach them the assignment using the notes provided to me by the teachers. I also proctored tests and quizzes to the students.

## SUMMER SCHOOL TEACHING EXPERIENCE

Chesterfield County Public Schools

### **Mathematics Teacher**

**6/2012-8/2012**

- Taught geometry at Monacan High School

Chesterfield County Public Schools

### **Mathematics Teacher**

**6/2011-8/2011**

- Taught geometry at Lloyd Bird High School

Henrico County Public Schools

### **Mathematics Teacher**

**6/2010-8/2010**

- Taught geometry at Hermitage High School

Chesterfield County Public Schools

### **Mathematics Teacher**

**6/2009-8/2009**

- Taught algebra 2 during at Matoaca High School

Prince George County Public Schools

### **Mathematics Teacher**

**6/2008-8/2008**

- Taught 5<sup>th</sup> grade mathematics during the summer

Chesterfield County Public Schools

### **Mathematics Teacher**

**6/2007-8/2007**

- Taught Geometry during the summer at Midlothian High School

## COACHING EXPERIENCE

Prince George County Public Schools

**Assistant Football Coach**

**8/2005-12/2006**

- Tight-ends coach for the varsity team during the 2005 season
- Head coach for the middle school team during the 2006 season

Dinwiddie County Public Schools

**Assistant Football Coach**

**8/2003-12/2004**

- Head defensive coordinator for the junior-varsity team
- Assistant coach for the varsity team

## ADMINISTRATIVE EXPERIENCE

Prince George County Public Schools

**Internship with Superintendent**

**6/2009-8/2009**

- I was an administrative intern during the summer of 2009 with the Superintendent of Prince George County Public Schools. I was able to sit through meetings and interviews with him. The interviews included perspective employees the school division was interviewing for possible employment for the upcoming school year. I was also tasked to help develop an attendance incentive program. My duties included developing a questionnaire that was sent off to all school divisions in Virginia. I analyzed the questionnaires and presented them in a report to the superintendent. The incentive program was adopted by Prince George Public Schools for the 2011-2012 school year.

## CLUB SPONSORSHIPS

Prince George County Public Schools

**Fellowship of Christian Athletes**

**8/2011-Present**

- Co-sponsor of the FCA at Prince George High School

## VOLUNTEER EXPERIENCE

Dinwiddie Youth League

**Volunteer Basketball Coach**

**1/2001-3/2003**

- Coached a 9 and 10 year old team for the youth league